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[[pp. H11503-H11545]] CONFERENCE REPORT ON H.R. 4328, MAKING **OMNIBUS**
CONSOLIDATED AND

EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 1999

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SECTION 101(h): TREASURY AND GENERAL GOVERNMENT APPROPRIATIONS ACT,
1999

The conferees on H.R. 4328 agree with the matter inserted in this subsection of this conference agreement and the following description of this matter. This matter was developed through negotiations on the differences in the **House** and Senate versions of H.R. 4104, the Department of Treasury and General Government Appropriations Act, 1999, by members of the appropriations subcommittee of both the **House** and Senate with jurisdiction over H.R. 4104.

The conference agreement on the Treasury and General Government Appropriations Act, 1999, incorporates some of the language and allocations set forth in **House** Report 105-592 and Senate Report 105-251. The language in these reports should be complied with unless specifically addressed in the accompanying statement of managers.

Senate Amendment: The Senate deleted the entire **House** bill after the enacting clause and inserted the Senate bill. The conference agreement includes a revised bill.

Throughout the accompanying explanatory statement, the managers refer to the Committee and the Committees on Appropriations. Unless otherwise noted, in both instances the managers are referring to the **House** Subcommittee on Treasury, Postal Service, and General Government and the Senate Subcommittee on Treasury and General Government.

Reprogramming and Transfer of Funds Guidelines

Due to continuing issues associated with agency requests for reprogramming and transfer of funds and use of unobligated balances, the conferees have agreed to reprogramming guidelines included in **House** Report 105-592. Those guidelines shall be complied with by all agencies funded by the Treasury and General Government Appropriations Act, 1999:

1. Except under extraordinary and emergency situations, the

Committees on Appropriations will not consider requests for a reprogramming or a transfer of funds, or use of unobligated balances, which are submitted after the close of the third quarter of the fiscal year, June 30;

2. Clearly stated and detailed documentation presenting justification for the reprogramming, transfer, or use of unobligated balances shall accompany each request;

3. For agencies, departments, or offices receiving appropriations in excess of \$20,000,000, a reprogramming shall be submitted if the amount to be shifted to or from any object class, budget activity, program line item, or program activity involved is in excess of \$500,000 or 10 percent, whichever is greater, of the object class, budget activity, program line item, or program activity;

4. For agencies, departments, or offices receiving appropriations less than \$20,000,000, a reprogramming shall be submitted if the amount to be shifted to or from any object class, budget activity, program line item, or program activity involved is in excess of \$50,000, or 10 percent, whichever is greater, of the object class, budget activity, program line item, or program activity;

5. For any action where the cumulative effect of below threshold reprogramming actions, or past reprogramming and/or transfer actions added to the request, would exceed the dollar threshold mentioned above, a reprogramming shall be submitted;

6. For any action which would result in a major change to the program or item which is different than that presented to and approved by either of the Committees, or the Congress, a reprogramming shall be submitted;

7. For any action where funds earmarked by either of the Committees for a specific activity are proposed to be used for a different activity, a reprogramming shall be submitted; and,

8. For any action where funds earmarked by either of the Committees for a specific activity are in excess of the project or activity requirement, and are proposed to be used for a different activity, a reprogramming shall be submitted.

Additionally, each request shall include a declaration that, as of the date of the request, none of the funds included in the request have been obligated, and none will be

obligated, until the Committees on Appropriations have approved the request.

TITLE I--DEPARTMENT OF THE TREASURY

Departmental Offices

salaries and expenses

The conference agreement appropriates \$123,151,000 for Departmental Offices instead of \$122,889,000 as proposed by the **House** and \$120,671,000 as proposed by the Senate. The amount appropriated includes: \$3,704,000 for mandatory cost increases; an additional \$470,000 for the Office of Tax Policy; an additional \$255,000 for the Office of Economic Policy; an additional \$499,000 for International Affairs Policies and Programs; an additional \$801,000 for Enforcement Policies and Programs; an additional \$866,000 for the Office of Foreign Assets Control; an additional \$239,000 for Fiscal and Financial Policies and Programs; and an additional \$300,000 for Treasury-wide management policies and practices. The conferees are aware that additional funds in the amount of \$1,238,000 are required in fiscal year 1999 for Year 2000 compliance. The conference agreement also includes funding to allow the Department to provide no more than \$500,000 in contract awards to the National Law Center for Inter-American Free Trade as proposed by the **House**.

The conferees have agreed to provide an additional \$1,200,000 within this account for the Under Secretary of Enforcement to continue the operations of the Office of Professional Responsibility, should he so desire, as proposed by the Senate.

The conference agreement includes language which provides that the Office of Foreign Assets Control shall be funded at no less than \$6,560,800 as proposed by the Senate instead of \$5,517,000 as proposed by the **House**. The conferees have included language authorizing the Department to charge both direct and indirect costs to the Office of Foreign Assets Control in the implementation of this floor.

The Senate bill included language in this and a number of

other accounts which provides that funds appropriated in this Act may be used for Year 2000 computer conversion costs pending the availability of funding for that purpose in a separate appropriation. The conferees have deleted that language in each instance in which it occurs and have instead included a new general provision (Section 513) to permit the use of funds provided in this Act to initiate or continue projects or activities to the extent necessary to achieve Year 2000 computer conversion until such time as supplemental appropriations are provided for those activities.

The conference agreement deletes language proposed by the **House** which provides compensation for losses incurred due to the denial of entry into the United States of certain firearms. The conferees have included language in Title VI (Section 646) of the bill to provide for this relief through the use of the Judgement Fund, as proposed by the Senate.

treasury law enforcement vehicles

No later than 90 days after enactment of this Act, the Department shall submit to the Committees on Appropriations directives to implement the management of law enforcement vehicle usage in the Department. These directives shall include: development of a Department-wide vehicle management system to ensure adequate oversight of vehicle usage; standards and procedures for full compliance with home-to-work regulations on vehicle use; verifiable determination that vehicle use throughout the Department is in support of law enforcement purposes only; and implementation of a log tracking system by activity and specific use of law enforcement vehicles.

under secretary for enforcement

The conferees direct the Department of the Treasury to submit, with its fiscal year 2000 budget request, detailed budget justification materials for the Office of the Under Secretary for Enforcement.

Office of Professional Responsibility

salaries and expenses

The conferees agree to provide no separate funding for the Office of Professional Responsibility (OPR) in fiscal year 1999 as proposed by the Senate, but instead have provided adequate funding within the Departmental Offices appropriations for the Under Secretary for Enforcement to continue the work of this office should he so desire. The conferees expect that the Department also will use approximately \$350,000 in reprogramming authority, the anticipated share of the unobligated balance of funds at the end of fiscal year 1998, to augment this appropriation.

In fiscal year 1998, the Under Secretary for Enforcement was charged with tasking OPR to conduct a comprehensive review of integrity issues and other matters related to the potential vulnerability of the United States Customs Service to corruption, to include examination of charges of professional misconduct and corruption as well as analysis of the efficacy of departmental and bureau internal affairs systems. The conferees expect that this work will continue, and that it will be in conjunction with related efforts funded through the Customs Integrity Awareness Program.

Automation Enhancement

The conferees agree to provide \$28,690,000 for Automation Enhancement instead of \$31,190,000 as proposed by the **House** and \$28,990,000 as proposed by the Senate. The amount provided shall be transferred as follows:

Customs Service.--\$8,000,000 for the Automated Commercial Environment.

Bureau of Alcohol, Tobacco, and Firearms.--\$3,700,000 for a human resources system re-engineering pilot program.

Departmental Offices.--\$16,990,000, of which \$5,400,000 is for the International Trade Data System, of which \$6,577,000 is for Department-wide human resources re-engineering program management and implementation, of which \$3,813,000 is for Departmental Offices productivity enhancement, of which

\$1,000,000 is for the Treasury Vehicle Management System, and of which \$200,000 is for Department-wide implementation of the Treasury Information System Architecture Framework.

The conferees agree that the funds provided shall remain available until September 30, 2000, as proposed by the **House** rather than remain available until expended as proposed by the Senate.

The conferees are aware that additional funds in the amount of \$2,762,000 are required in fiscal year 1999 for Year 2000 compliance.

AUTOMATED COMMERCIAL ENVIRONMENT

The conferees agree to provide \$8,000,000 for the Customs Service ACE project, with the

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proviso that \$6,000,000 shall not be available for obligation until the Treasury's Chief Information Officer, through the Treasury Investment Review Board, concurs on the plan and milestone schedule for the deployment of the system. Furthermore, \$6,000,000 shall not be obligated until the Commissioner of Customs provides to the Committees on Appropriations an Enterprise Information Systems Architecture (EISA) for Customs that covers all Customs' areas of business--not just trade compliance. For the EISA to be acceptable, it must comply with the Treasury Information Systems Architecture Framework, include measures to enforce compliance, and be approved by the Treasury Investment Review Board.

The conferees are pleased with the efforts made by the Treasury Department to exercise some management responsibility for the ACE project, which represents an enormous information technology investment for the Department and Customs. Clear benefits are already being seen in the quality of analysis applied to investment decisions, and coordination with other information technology projects such as the International Trade Data System (ITDS). The conferees support the continued exercise of strong oversight by the

Treasury Department over this project.

Financial Crimes Enforcement Network

The conferees agree to provide \$24,000,000 as proposed by the **House** instead of \$23,670,000 as proposed by the Senate. In addition, the conferees agree that the funds shall be available with no earmark for the GATEWAY program, as had been proposed by the Senate.

TREASURY FORFEITURE FUND

The conferees expect that the super surplus for the Treasury Forfeiture Fund will continue to be large in fiscal year 1999, and direct the Department to provide the Committees its plan for intended use of these resources in a timely fashion, as well as in its presentation of the fiscal year 2000 budget request.

The conferees support the use of the super surplus to further advance Treasury Department law enforcement programs, and acknowledge the Department's plan to use its surplus for a variety of activities. The conferees direct the Department to use \$11,012,000 as follows: \$5,512,000 for the construction of a P-3 hangar in Corpus Christi, Texas, for the United States Customs Service; \$4,000,000 for the CEASEFIRE/IBIS program, and \$1,500,000 for the Global Transpark Customs Information Project. The conferees also agree that super surplus funds may be used for replacement of law enforcement vehicles, instead of the prohibition proposed by the Senate.

Violent Crime Reduction Programs

The conferees agree to provide \$132,000,000 as proposed by the **House** and Senate. This amount is to be used as follows:

Bureau of Alcohol, Tobacco and Firearms:

GREAT administration/training.....	\$3,000,000
GREAT Program Grants.....	13,000,000
Customs Service:	

Narcotics detection technology.....	54,000,000
Passenger processing initiative.....	9,500,000
Canopy construction.....	972,000
Child pornography investigation.....	1,000,000

Subtotal, Customs Service.....	65,472,000
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Secret Service:

Counterfeiting investigations.....	5,000,000
Forensic technology and assistance.....	2,000,000
NCMEC assistance.....	1,196,000
2000 campaign protection.....	7,732,000
Vehicle replacement.....	6,700,000

Subtotal, Secret Service.....	22,628,000
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Financial Crimes Enforcement Network:

Cyberpayment studies.....	800,000
Suspicious Activity Report analysis.....	300,000
Support for State & local GATEWAY.....	200,000
Money laundering regulations.....	100,000

Subtotal, FinCEN.....	1,400,000
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Interagency Crime and Drug Enforcement.....	24,000,000
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Office of National Drug Control Policy:

Model State Drug Law Conferences.....	1,000,000
High Intensity Drug Trafficking Areas.....	1,500,000

Subtotal, ONDCP.....	2,500,000
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Bureau of Alcohol, Tobacco and Firearms

The conferees agree to provide \$3,000,000 to ATF for the management of the GREAT program as proposed by the **House** rather than in the ATF Salaries and Expenses appropriation as proposed by the Senate. The funding proposed by the Senate for laboratory and investigative support is funded under ATF's Salaries and Expenses appropriation.

GANG RESISTANCE EDUCATION AND TRAINING

The conferees agree to provide \$13,000,000 to ATF, instead of \$10,000,000 as proposed by the **House** and \$13,239,000 as proposed by the Senate for grants to local law enforcement organizations for the Gang Resistance Education and Training (GREAT) program. The GREAT program has been enthusiastically endorsed by communities in Colorado, North Carolina and Wisconsin. The conferees direct that qualified law enforcement and prevention organizations from these areas be funded under GREAT.

The conferees are aware of concerns about the lack of a long-term evaluation of the impact of this program. Therefore, the conferees urge ATF to contract with the National Academy of Sciences, Committee on Law and Justice, to conduct an independent evaluation of the GREAT program.

Customs Service

The conferees agree to provide \$65,472,000, instead of \$66,472,000 as proposed by the **House** and \$54,000,000 as proposed by the Senate. Within these funds, the conferees include \$54,000,000 for narcotics detection technology, \$9,500,000 for passenger processing, \$972,000 for canopy construction, and \$1,000,000 for additional technologies associated with the child pornography cyber-smuggling initiative. The conferees agree that \$2,400,000 of the Customs Salaries and Expenses account should be used for the cyber-smuggling initiative, as proposed by the Senate.

Secret Service

The conferees agree to provide \$22,628,000, instead of \$14,528,000 as proposed by the **House** and \$15,403,000 as proposed by the Senate. Within these funds, the conferees include \$5,000,000 for counterfeiting investigations, \$7,732,000 for campaign protection activities, \$6,700,000 for vehicle replacement, and \$3,196,000 for forensic and related support of investigations of missing and exploited children. Of the amounts provided for missing and exploited children,

the conferees agree to provide \$1,196,000 for the continued operations of the Child Exploitation Unit at the National Center for Missing and Exploited Children.

Financial Crimes Enforcement Network

The conferees agree to provide \$1,400,000 for FinCEN as proposed by the Senate, instead of no funding as proposed by the **House**. Within these funds, the conferees include \$800,000 for cyberpayment studies; \$300,000 for Suspicious Activity Report analysis; \$200,000 for training and support for State and local GATEWAY participation; and \$100,000 for money laundering regulations.

Federal Law Enforcement Training Center

The conferees agree to provide no VCRTF funding for FLETC as proposed by the **House**, instead of \$1,158,000 as proposed by the Senate. The affected programs--rural law enforcement training and equipment replacement--are funded in FLETC's Salaries and Expenses appropriation.

Interagency Crime and Drug Enforcement

The conferees agree to provide \$24,000,000 for ICDE as proposed by the **House**, instead of \$45,000,000 as proposed by the Senate. An additional \$51,900,000 is provided in the Interagency Law Enforcement account. The total of \$75,900,000 fully funds the President's request.

Office of National Drug Control Policy

The conferees agree to provide \$2,500,000 for ONDCP, instead of \$14,000,000 as proposed by the **House** and no funding as proposed by the Senate. \$1,000,000 of this funding would cover the costs of continuing support for Model State Drug Law Conferences, as proposed by the **House**. \$13,000,000 proposed by the **House** for continued funding for the technology transfer program run by the Counterdrug Technology Assessment Center will instead be funded in the ONDCP

Salaries and Expenses account, as proposed by the Senate.

High Intensity Drug Trafficking Areas

The conferees agree to provide \$1,500,000 in additional funding for the Milwaukee, Wisconsin HIDTA.

Federal Law Enforcement Training Center

SALARIES AND EXPENSES

The conferees agree to provide \$71,923,000 as proposed by the **House** instead of \$66,251,000 as proposed by the Senate, including up to \$13,843,000 to be used for materials and support costs. The conferees agree to language proposed by the Senate to permit funding for travel expenses of non-Federal personnel to attend course development meetings and training sponsored by the Center. The conferees also agree to maintain existing statutory language affecting the authority to provide funding for student athletics and student interns, as proposed by the Senate.

GREAT TRAINING

The conferees agree to include new language, as proposed by the Senate, to authorize the Center to provide training for the Gang Resistance Education and Training program to Federal and non-Federal personnel at any facility in partnership with ATF.

FIREARMS TRAINING SYSTEMS

The conferees direct the Federal Law Enforcement Training Center, in consultation with their interested client law enforcement agencies, to examine and evaluate all available firearms training technologies for systems providing the greatest cost effective multi-application benefit for firearms training of law enforcement personnel. The conferees

are aware of current technologies, such as the BEAMHIT targeting system and plastic cased ammunition, which appear to

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offer cost benefits and systems flexibility for multiple training activities and greater sensitivity for environmental protection.

Acquisition, Construction, Improvements, and Related Expenses

The conferees agree to provide \$34,760,000, instead of \$28,360,000 as proposed by the **House** and \$15,360,000 as proposed by the Senate. This amount includes \$6,400,000 for construction of new facilities at Artesia, New Mexico, required to meet the Center's basic training requirements.

Interagency Law Enforcement

Interagency Crime and Drug Enforcement

The conferees agree to provide \$51,900,000 for ICDE as proposed by the **House**. An additional \$24,000,000 is provided in the Violent Crime Reduction Programs account. The total of \$75,900,000 fully funds the President's request.

Financial Management Service

salaries and expenses

The conference agreement appropriates \$196,490,000 for the Financial Management Service (FMS) as proposed by the Senate instead of \$198,510,000 as proposed by the **House**.

The conferees have agreed with the proposal of the Senate on the funding level for the FMS, which reflects a reduction of \$6,000,000 for Year 2000 conversion costs which will be available for FMS from a separate appropriation. The conferees received conflicting information from the Department of the Treasury about what the FMS's needs are for

this purpose. Therefore, the conferees have assumed the higher number. The conferees understand and fully appreciate the need for FMS equipment to be Year 2000 compliant and note that the Department does have authority to transfer funding to FMS from other accounts within the Department under Section 114 of this Act should that become necessary.

The conference agreement deletes language proposed by the Senate delaying the availability of \$4,500,000 for postage costs until September 30, 1999, and language proposed by the Senate stating that funds shall continue to be provided to the United States Postal Service for postage due.

debt collection improvement account

The conferees have agreed to delete funding for the Debt Collection Improvement Account proposed by the Senate. The **House** bill contained no similar provision.

Federal Financing Bank

The conference agreement provides \$3,317,960,000 for the liquidation of debts by the Federal Financing Bank instead of \$3,317,690,000 as proposed by the Senate. The **House** bill contained no similar provision.

Bureau of Alcohol, Tobacco and Firearms

salaries and expenses

The conferees agree to provide \$541,574,000, instead of \$530,624,000 as proposed by the **House** and \$529,489,000 as proposed by the Senate. This includes \$2,000,000 for the Violent Crime Coordinators program and \$4,500,000 for expansion of the National Tracing Center, as proposed by the Senate. The conferees agree that \$2,206,000 of this funding will not be available for obligation until September 30, 1999, as proposed by the **House**.

The conferees are aware that additional funds in the amount of \$5,000,000 are required in fiscal year 1999 for Year 2000

compliance.

The conferees agree to increase the limit for purchase of police-type vehicles to 812, as proposed by the **House**. The conferees direct the Under Secretary for Enforcement to exercise strong oversight with regard to any additional purchases in keeping with Department-wide efforts (addressed under Departmental Offices, above) to manage the use, allocation and acquisition of law enforcement vehicles. While neither the **House** nor Senate provided funding for this purpose, the conferees agree to provide \$3,700,000 for vehicle replacement as the Administration had requested.

The conferees agree to authorize up to \$15,000 for official reception and representation expenses, instead of \$20,000 as proposed by the **House** and \$12,500 proposed by the Senate.

The conferees agree to retain the limitation of \$1,000,000 in authority to fund the equipping of vessels, vehicles or aircraft available for official use by a State or local law enforcement agency for use in joint law enforcement operations with ATF and for the payment of overtime salaries, travel, fuel and other costs for State and local law enforcement personnel, including sworn officers and support personnel, as proposed by the **House**. The conferees note that, while this maintains a limitation, unlike the Senate proposal, it allows such funding to be used for law enforcement operations other than drug-related ones, and clarifies that it encompasses support personnel as well as sworn law enforcement officers.

The conferees agree that per diem and/or subsistence allowances may be paid to employees for extensive overtime required when an employee is assigned to a National Response Team during the investigation of a bombing or arson incident, as proposed by the Senate, rather than simply for a major investigative assignment, as proposed by the **House**.

youth crime gun interdiction initiative

The conferees strongly support ATF's efforts to stop illegal trafficking of crime weapons to young people and its statistical analysis in ``The Crime Gun Trace Analysis

Reports: The Illegal Youth Firearms Markets in 17 Communities'', published in July 1997. However, the conferees believe that the proposed increase in funding must be supported by evidence of a significant reduction in youth crime, gun trafficking and availability. The conferees would like to see additional evidence linking the Youth Crime Gun Interdiction Initiative (YCGII) to a corresponding decrease in gun trafficking among youths and minors. Therefore, the conferees direct ATF to report no later than February 1, 1999, on the performance of YCGII.

The conferees further believe that an investment in experienced trafficking agents to conduct investigations arising out of leads obtained through this regional initiative is likely to have a significant impact on the number of prosecutions for illegal firearms trafficking. As a result, the conferees direct that, of the \$27,000,000 to be provided for YCGII efforts, \$16,000,000 be used to hire 81 experienced trafficking agents to expand the YCGII efforts in the 27 pilot cities. As part of the expansion, the conferees recommend that not less than \$2,400,000 be used for the addition of 12 experienced trafficking agents, including 3 in Milwaukee, Wisconsin, to implement a multifaceted regional enforcement strategy within the Midwest region. The conferees request that ATF give strong consideration to Aurora, CO, Denver, CO, and Omaha, NE, as it determines new locations for YCGII.

ceasefire

The conferees agree to provide \$2,000,000 for continued expansion of the CEASEFIRE/IBIS program, and expect that this will be used to meet requests for new equipment and related installation costs. The conferees also direct the Secretary of the Treasury to provide \$4,000,000 to ATF from the Treasury Forfeiture Fund to allow ATF to provide CEASEFIRE technology to eligible State and local law enforcement organizations who have requested this equipment.

Collection and Maintenance of Federal Firearms Licensee Records

The conferees agree that there does not appear to be a written policy regarding the collection and maintenance of records on the acquisition and disposition of firearms by Federal firearms licensees for use in criminal or civil enforcement or firearms trace systems, in particular with regard to the length of time such records are kept. Therefore, the conferees direct ATF to develop such a written policy and provide a copy of that written policy to the Committees on Appropriations no later than March 31, 1999. This is in lieu of the direction by the **House** to provide the **House** Committee with a report on efforts to improve its practices within 90 days after enactment of this bill.

Contraband Cigarettes

The conferees direct ATF to continue to fully fund its investigations of diversion and trafficking of contraband cigarettes, particularly on Indian lands. The conferees are pleased to see that recent investigations have borne fruit in a number of arrests in Oklahoma and Kansas. The conferees understand that the current investigation in Oklahoma and Kansas is estimated to cost up to \$2,000,000 and that nationwide investigation will cost approximately \$8,000,000.

United States Customs Service

salaries and expenses

The conferees agree to provide \$1,642,565,000, instead of \$1,638,065,000 as proposed by the **House** and \$1,630,273,000 as proposed by the Senate. \$9,500,000 is delayed for obligation, instead of the delays proposed by the **House** and the Senate.

The conferees agree to restrict purchase of vehicles to 550 for replacement only, as proposed by the **House**, rather than 985, as proposed by the Senate. The conferees direct the Under Secretary for Enforcement to exercise strong oversight over any purchases of new vehicles in keeping with Department-wide efforts (addressed under Departmental Offices, above) to manage the use, allocation and acquisition

of law enforcement vehicles. The conferees also agree that \$500,000 of the appropriation should be used to fund expansion of services at the Vermont World Trade Office, as proposed by the Senate. The conferees also agree to increase the limitation on representation funding to \$40,000, instead of \$30,000 as proposed by the **House** and Senate.

The conferees agree to provide \$2,500,000 to remain available until expended for the costs of relocation of the New Orleans Air Branch from Belle Chase, Louisiana, to Hammond, Louisiana.

Customs Integrity Awareness Program

The conferees agree to provide \$6,000,000 to the Customs Service, fully funding the new Customs Integrity Awareness Program (CIAP), as proposed by the **House**, instead of \$4,200,000 as proposed by the Senate. The conferees direct the Secretary of the Treasury to be fully engaged in CIAP, providing necessary oversight and assistance to the Customs Service Office of Internal Affairs in order to achieve program goals.

Child Pornography

The conferees strongly support Customs leadership in stopping the vile traffic in child pornography and are pleased with its recent successful takedown of a major international pornography organization. To continue this success, the conferees agree to set aside \$2,400,000 of the Customs appropriation to double the staffing and resources for the child pornography cyber-smuggling initiative, as proposed by the Senate, instead of

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\$2,000,000 proposed by the **House** to be funded through the Violent Crime Reduction Trust Fund. In addition, the conferees agree to include \$1,000,000 in the Violent Crime Reduction Trust Fund for technology support for this initiative.

Customs Inspection Services for International Air Cargo

The conferees are concerned about the availability of Customs Service personnel to provide inspection services for airports that are seeing increased traffic or project such increases as part of regional development patterns. In many locations Customs has been asked to initiate or expand the level and availability of such services. The conferees understand that decisions to allocate inspection personnel must be based on availability of staff and funding, and should also be a function of the level of current or expected traffic, as well as concerns about enforcing trade laws and countering smuggling threats. At the same time, the conferees recognize that some airports, such as Dulles International Airport, Miami International Airport, and Fort Lauderdale International Airport, are experiencing growth and may have good cases for initiating or increasing cargo traffic operations, which are dependent on the availability of specific Customs inspection services. The conferees therefore urge the Customs Service, as it undertakes to establish a comprehensive model for assessing and allocating its inspection and investigative staff, to work closely with the airport authorities and the trade community to ensure that it will meet requirements for new and expanded service. The aim of such a process should be allocation of staff and resources that is in the best interest of regional economic interests, trade, and the mission of the Customs Service.

Operations, Maintenance and Procurement, Air and Marine Interdiction Programs

The conferees agree to provide \$113,688,000, instead of \$100,688,000 as proposed by the **House** and \$113,488,000 as proposed by the Senate. No funding for this account would be delayed, as had been proposed by the Senate, and there is no earmark for activities in South Florida and the Caribbean, as had been proposed by the Senate. This number includes an additional \$1,000,000 for increased support for operations and upgrades for equipment for the marine enforcement program and \$14,200,000 for Black Hawk helicopter program support.

Black Hawk Helicopters

The conferees have included \$14,200,000 to restore three off line Black Hawk helicopters to an operational readiness condition and provide for increased operation and maintenance requirements for Customs' helicopter component. The conferees understand that this funding will permit Customs to increase Black Hawk flying hours from 18 to 30 hours per month. The conferees direct the Customs Service to maximize the mission operability of all sixteen Black Hawk helicopters assigned to the Air Interdiction Program.

customs marine program

The conferees include an additional \$1,000,000 to augment the \$5,200,000 requested for the marine program.

customs air and marine interdiction programs

The conferees continue to be impressed with the successes associated with the Customs Air and Marine Interdiction programs and are aware of the growing operational commitments associated with this success. The conferees encourage the Customs Service to examine the benefits of a consolidated air maintenance system and take actions to improve operational coordination of its air assets to meet our national drug enforcement priorities. The conferees, in the interest of maintaining viable and effective air and marine interdiction programs, direct the Customs Service to develop two comprehensive modernization plans for the air interdiction and marine enforcement programs, respectively. These plans shall be submitted with the President's fiscal year 2000 budget and should include the projected lifespans and project a replacement schedule, as well as the current status, of each aircraft or vessel; associated operations and maintenance activities for these craft; and any costs for fleet extension or modernization. These modernization plans should be living documents that the Customs Service continually reevaluates and utilizes in its effort to

maximize its operational effectiveness.

special operations

The conferees agree that the special operations requirements of the Customs Service Air and Marine Interdiction Programs demand special tactical and logistical operations considerations due to the high threat nature of these activities. The conferees direct the Customs Service to review its utilization of these special operations assets with the goal of improving management, coordination, training and utilization of equipment and personnel. The Customs Service should consider all options to achieve the greatest efficiency and productivity for our coastal and border interdiction efforts.

Bureau of Engraving and Printing

dollar bill redesign

To combat international counterfeiting threats to the United States, the Department of the Treasury is continuing to redesign Federal Reserve Notes. By the end of 1999, newly designed \$100, \$50, and \$20 Federal Reserve Notes will be in circulation.

The conferees remain concerned about the cost associated with producing special anti-counterfeiting properties for the estimated 6 billion circulating \$1 Federal Reserve Notes. As a result, the conferees do not believe the Bureau of Engraving and Printing should undertake cost prohibitive anti-counterfeiting changes to the \$1 note. However, the conferees do believe it is important to update the currency, such as making minor modifications to assist the visually impaired.

Therefore, the conferees direct the Department of the Treasury and the Bureau of Engraving and Printing not to pursue redesign of the \$1 Federal Reserve Note to combat international counterfeiting threats, but to only make minor design enhancements to the \$1 note for the visually impaired

and elderly population, provided it has no effect on the use of \$1 Federal Reserve Notes with existing bill accepting machinery.

Bureau of the Public Debt

administering the public debt

The conference agreement appropriates \$172,100,000 for the Bureau of the Public Debt as proposed by the **House** and the Senate.

The conference agreement also provides that \$2,000,000 of the funds provided shall be available until September 30, 2001, for information systems modernization initiatives as proposed by the **House** instead of \$1,000,000 as proposed by the Senate.

The conferees are aware that additional funds in the amount of \$1,000,000 are required in fiscal year 1999 for Year 2000 compliance.

Internal Revenue Service

processing, assistance, and management

The conference agreement appropriates \$3,086,208,000 for Processing, Assistance, and Management instead of \$3,025,013,000 as proposed by the **House** and \$3,077,353,000 as proposed by the Senate. The amount provided includes \$90,650,000 for mandatory cost increases and \$70,279,000 for base realignments from the Tax Law Enforcement account. The conferees have agreed not to transfer funding for the TIMIS personnel/payroll system from the Information Systems appropriation to this account as proposed by the Senate.

The budget request for Processing, Assistance, and Management included \$58,325,000 for customer service initiatives. Funding for these initiatives has been included in the Information Systems account as proposed by the **House**. The Senate had proposed to provide \$18,145,000 for customer service initiatives in this account.

The conferees want to express strong support for the Commissioner's proposal for organizational modernization. The recently enacted Internal Revenue Service Restructuring and Reform Act of 1998 will allow the Commissioner to make significant operational improvements through organizational modernization and reorganization. Therefore, the conference agreement also includes \$25,000,000 for organizational modernization and restructuring of the Internal Revenue Service, the total amount requested by the Administration for that purpose. However, because the restructuring legislation has only recently been enacted and the Commissioner has not yet been able to provide a detailed plan and cost estimate for the restructuring effort, the conferees have included language in the bill which delays these funds for obligation until September 30, 1999.

The conferees have also provided \$2,000,000 for low income taxpayer clinics. These funds will be used to award matching grants to develop, expand, or continue qualifying low income taxpayer clinics as authorized in Section 3601 of the Internal Revenue Service Restructuring and Reform Act of 1998.

The conference agreement includes language proposed by the Senate delaying the availability of \$105,000,000 for postage costs until September 30, 1999, and language proposed by the Senate stating that funds shall continue to be provided to the United States Postal Service for postage due.

taxpayer education

The conferees agree that the Internal Revenue Service needs to be more proactive in educating our citizens. Therefore, the conferees believe that the IRS should consider the feasibility of a taxpayer education initiative which encourages IRS employees to visit schools to talk about the history of our tax system as well as taxpayer rights and responsibilities. Further, the conferees believe that the IRS should provide no less than \$750,000 to create an educational program, such as the project currently under development at the University of Florida, covering matters of current interest to those involved in administering, advising,

teaching, and studying the technical aspects of Federal taxation. Therefore, the conferees request that the IRS provide an analysis of these proposals, and steps they would take to implement these proposals, to the Committees on Appropriations by March 1, 1999.

tax law enforcement

The conference agreement appropriates \$3,164,189,000 for Tax Law Enforcement as proposed by the **House** instead of \$3,164,399,000 as proposed by the Senate. The conference agreement does not delay the availability of \$175,000,000 of the funds appropriated until September 30, 1999, proposed by the Senate.

The budget request included \$2,645,000 for customer service initiatives. Funding for these initiatives has been included in the Information Systems account as proposed by the **House**. The Senate had proposed to fund \$210,000 for customer service initiatives in this account.

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tax standards for tax-exempt health clubs

The conferees are aware that there has been significant growth in health club and fitness services. Intensified competition has developed a market for for-profit and tax-exempt health clubs. With certain tax-exempt organizations moving away from their core purpose, questions arise as to whether they are engaging in commercial competition with the for-profit sector. The conferees understand that the IRS has developed appropriate standards based on broad community accessibility for determining whether fitness activities are substantially related to the charitable mission of community organizations, such as YMCAs, YWCAs, and JCCs, organizations with a variety of programs based on community needs, including health and fitness for people of all ages, incomes, and abilities. Accordingly, changes in the standards that apply to such organizations are not the conferees' concern. Rather, the conferees direct that the IRS review the

standards it applies to fitness activities operated by educational and health-care organizations. The conferees further request that the Department of the Treasury report to Congress by April 1, 1999, on the statutory and regulatory changes that may be needed to assure that the health and fitness activities of these organizations substantially further the purposes for which the organization was granted tax exemption and do not constitute unfair competition with private sector, taxable organizations.

transfer pricing

The conferees are concerned about the Nation's loss of revenue as a result of foreign corporations employing transfer pricing. Transfer pricing, utilized by State Trading Enterprises, reallocates items of income and deduction among entities under common control. Reallocation of the income and deduction results in minimizing the U.S. tax of foreign corporations' U.S. affiliates. Since the foreign parent corporations do not normally do business in the United States, their income is completely free from U.S. tax.

To ensure the Internal Revenue Service is vigorously administering section 482 of the Internal Revenue Code, which empowers the Secretary of the Treasury to distribute, apportion, and allocate items of gross income and deduction between the parent corporations and their U.S. affiliates, the conferees direct the Internal Revenue Service to review and report to Congress, no later than six months after enactment of this Act, on the following issues: IRS's loss of revenue as a result of transfer pricing; detailed information on IRS's administration of section 482 to distribute, apportion, and allocate items of gross income and deduction; and recommendations on how to improve the collection of revenue from trading enterprises.

information systems

The conference agreement appropriates \$1,265,456,000 for Information Systems instead of \$1,224,032,000 as proposed by

the **House** and \$1,329,486,000 as proposed by the Senate. The amount provided includes \$43,939,000 for mandatory cost increases; however, the conferees have agreed not to transfer funding for the TIMIS personnel/payroll system from this appropriation to the Processing, Assistance, and Management account. In addition, the conference agreement includes an increase of \$32,900,000 for operational information systems as proposed by the **House** and the Senate and \$68,700,000 for the modernization program infrastructure as proposed by the Senate instead of \$34,350,000 as proposed by the **House**.

The conferees have agreed to include language in the bill which provides that \$103,000,000 of the funds appropriated in this account shall only be available for improvements to customer service. This is the full amount requested by the Administration for customer service initiatives within the Internal Revenue Service.

The conferees are aware that additional funds in the amount of \$359,000,000 are required in fiscal year 1999 for Year 2000 compliance. Included in that total is: \$8,700,000 for the submissions processing investment program, \$4,000,000 for compliance research information systems, \$33,300,000 for examination laptop computers, \$60,700,000 to complete the rollout of the Integrated Collection System, \$4,300,000 for the Inventory Delivery System, and \$14,000,000 for the Integrated Personnel System.

The conference agreement deletes language proposed by the Senate which delayed the availability of \$68,700,000 of the funds appropriated until September 30, 1999.

information technology investments

The conference agreement appropriates \$211,000,000 for Information Technology Investments instead of \$210,000,000 as proposed by the **House** and \$137,569,000 as proposed by the Senate. These funds are not available for obligation until September 30, 1999. The conference agreement also provides that the funds shall remain available until September 30, 2002, as proposed by the Senate instead of remaining available until expended as proposed by the **House**.

The conference agreement includes language proposed by the **House** which specifies the contents of an expenditure plan that the Internal Revenue Service and the Department of the Treasury are required to submit before the funds appropriated may be obligated.

The conferees are concerned that the IRS's efforts to modernize its information systems could divert its attention from the more pressing matter of assuring that all of its existing systems will be Year 2000 compliant. The conferees expect that IRS will continue to view Year 2000 compliance as its highest priority and direct that the IRS not divert any resources from its Year 2000 efforts to the information systems modernization program.

administrative provisions--internal revenue service

Section 101. The conference agreement includes a provision proposed by the **House** and the Senate which allows the transfer of 5 percent of any appropriation made available to the IRS to any other IRS appropriation subject to Congressional approval.

Section 102. The conference agreement includes a provision proposed by the **House** and the Senate which requires the IRS to maintain a training program in taxpayer's rights, dealing courteously with taxpayers, and cross cultural relations.

Section 103. The conference agreement includes a provision proposed by the **House** and the Senate which requires the IRS to maintain taxpayer services at not less than fiscal year 1995 levels.

Section 104. The conference agreement includes a provision proposed by the **House** and the Senate which prohibits the expenditure of funds for the collection of taxes unless the conduct of officers and employees of the IRS complies with the Fair Debt Collection Practices Act.

Section 105. The conference agreement includes a provision proposed by the **House** and the Senate which requires the IRS to institute policies and practices which will safeguard the confidentiality of taxpayer information.

Section 106. The conference agreement includes a provision

proposed by the **House** and the Senate which directs that funds shall be available for improved facilities and increased manpower to provide sufficient and effective 1-800 help line telephone assistance.

Section 107. The conference agreement includes a provision proposed by the Senate which provides that no reorganization of the field office structure of the Internal Revenue Service Criminal Investigation Division will result in a reduction in the number of criminal investigators in Wisconsin and South Dakota from the 1996 level.

The conference agreement deletes a Sense of the Senate provision regarding the use of random selection of returns for examination by the Internal Revenue Service.

United States Secret Service

salaries and expenses

The conferees agree to provide \$600,302,000 instead of \$594,657,000 as proposed by the **House** and \$584,902,000 as proposed by the Senate. This includes an additional \$18,000,000 for the costs of protective travel. The conferees agree that \$1,623,000 required for fixed site security will be included in the Acquisition, Construction, Improvement, and Related Expenses account, as proposed by the Senate. The conferees also agree that the limitation for new vehicle purchases shall be 739, as proposed by the **House**, rather than 705, as proposed by the Senate. The conferees direct the Under Secretary for Enforcement to exercise strong oversight over any purchases of new vehicles in keeping with Department-wide efforts (addressed under Departmental Offices, above) to manage the use, allocation and acquisition of law enforcement vehicles. The conferees agree that \$5,000,000 shall not be available for obligation until September 30, 1999.

The conferees are aware that additional funds in the amount of \$3,000,000 are required in fiscal year 1999 for Year 2000 compliance.

protective travel

The conferees continue to be concerned about shortfalls in the United States Secret Service protective travel activity. Therefore the conferees direct the Service to develop an accurate financial plan for predicting protective travel needs, and report regularly to the Committees on Appropriations on their progress. As part of the financial plan the conferees expect the funds for this activity will be apportioned separately. The Service should consult with the Office of Management and Budget about the level of detail required in the financial plan. The conferees agree to provide additional funding of \$18,000,000 for protective travel, which is made available for two fiscal years.

armored primary limousines

The conferees understand the need to provide the President of the United States safe and secure ground transportation both locally and around the world. The conferees are, however, concerned with the Secret Service's projected cost to acquire primary limousines for this purpose. As a result, the conferees direct the Secret Service to report to the Committees on Appropriations on the major differences and costs between the proposed project and armored vehicles previously acquired by the Service prior to the obligation of funds for this project.

ACQUISITION, CONSTRUCTION, IMPROVEMENT, AND RELATED EXPENSES

The conferees agree to provide \$8,068,000 as proposed by the Senate, instead of \$6,445,000 as proposed by the **House**, which includes \$1,623,000 for fixed site security.

General Provisions--Department of the Treasury

Section 110. The conference agreement includes a provision which requires the Secretary of the Treasury to comply with certain reprogramming guidelines when obligating or expending

funds for law enforcement

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activities from unobligated balances available on September 30, 1999, as proposed by the Senate instead of September 30, 1998, as proposed by the **House**.

Section 111. The conference agreement includes a provision proposed by the **House** and the Senate which allows the Department of the Treasury to purchase uniforms, insurance, and motor vehicles without regard to the general purchase price limitation, and enter into contracts with the State Department for health and medical services for Treasury employees in overseas locations.

Section 112. The conference agreement includes a provision proposed by the **House** and the Senate which requires the expenditure of funds so as not to diminish efforts under section 105 of the Federal Alcohol Administration Act.

Section 113. The conference agreement includes a provision proposed by the **House** and the Senate which authorizes transfers, up to 2 percent, between law enforcement appropriations under certain circumstances.

Section 114. The conference agreement includes a provision proposed by the **House** and the Senate which authorizes transfers, up to 2 percent, between the Departmental Offices, Office of Inspector General, Financial Management Service, and Bureau of the Public Debt appropriations under certain circumstances.

Section 115. The conference agreement includes a provision proposed by the Senate which amends 18 U.S.C. 921(a) by broadening the definition of explosives and redefining the term ``antique firearm.''

Section 116. The conference agreement includes a provision regarding the purchase of law enforcement vehicles.

Section 117. The conferees have agreed to the provision contained in Section 117 of the Senate bill regarding the execution of property upon judgements against foreign state violators of international law. The conferees have included additional language giving the President the authority to waive the requirements of this provision in the interest of

national security.

ELECTRONIC FILING

The conferees have agreed to delete language requested by the Administration and contained in Section 115 of the **House** and Senate bills regarding the electronic filing of tax returns since this matter has been addressed in a comprehensive fashion in the Internal Revenue Service Restructuring and Reform Act of 1998. In undertaking any electronic tax administration programs, the conferees expect the Internal Revenue Service to assure the security of all electronic transmissions and provide for the full protection of the privacy of taxpayer data.

CURRENCY PAPER

The **House** and Senate passed bills each contained a provision (Section 116 of both bills) regarding the acquisition of currency paper by the Bureau of Engraving and Printing. The conferees have agreed to include no language in the bill regarding this issue. The conferees are aware of attempts made by the Bureau of Engraving and Printing (BEP) to address concerns regarding the need to make it easier for all United States paper companies to compete for currency paper contracts. However, the conferees expect the BEP to continue to enhance the process for procuring currency paper to the extent permitted under Federal law. In carrying out its currency paper procurement responsibilities, the conferees expect BEP to secure the best overall value for the government, giving equal consideration to all cost factors. Based on the General Accounting Office's (GAO) inability to reach any concrete conclusions with respect to competition and pricing, the conferees understand this issue is very complicated and, therefore, direct the Department of the Treasury and the Bureau of Engraving and Printing to report to the Committees on Appropriations how they plan to address GAO's recommendations to the Secretary of the Treasury. Further, it is the conferees' understanding that the

authorizing committees in both the **House** and Senate will closely examine the GAO report, hold hearings on this matter, and develop legislation, if necessary, to ensure that the Federal government will have adequate competition and fair pricing.

TITLE II--POSTAL SERVICE

Payments to the Postal Service Fund

The conferees agree to provide \$71,195,000 as proposed by the **House** and the Senate. The conferees defer the obligation of these funds until October 1, 1999, as proposed by the Senate.

Non-Postal Commercial Activities

The conferees are aware that the Postal Service is initiating a wide range of new commercial activities. These activities include, but are not limited to, volume retail photocopying, packaging services, bankwire services, the sale of office supplies and novelty items, and new e-commerce or Internet related technologies.

The conferees recognize the Postal Service's need to generate new sources of revenue to offset its operating costs. However, many of the Postal Service's new commercial activities may result in unfair competition with a number of private sector enterprises, thus raising significant policy issues about the Postal Service's present and future commercial role.

Therefore, the conferees request the Postal Service submit, within 6 months of enactment of this Act, a report on its ongoing and planned commercial services, including policy justifications, the costs of development and implementation, revenues earned, and revenues lost. As part of the report, the conferees are interested in packaging services ('`Pack and Send'') and specifically direct the Postal Service to describe how packaging services will meet ``customer demand'' in all geographic regions, especially rural areas, before such service is initiated. The conferees believe these issues deserve consideration by the authorizing committees.

Avondale-Goodyear, Arizona

The conferees urge the Postal Service, before awarding any contract to purchase or lease property for the Main Post Office in Avondale-Goodyear, Arizona, to do an analysis of the population presently in this area to be used in assisting the Postal Service in making a selection which will be most accessible for the current and future population of the area. The Postal Service shall report to the Committees prior to awarding any contract for sale or lease, but in no event later than October 14, 1998.

Gilpin County, Colorado

The conferees urge the Postal Service to seriously consider providing a separate ZIP Code for Gilpin County, Colorado.

TITLE III--EXECUTIVE OFFICE OF THE PRESIDENT AND FUNDS APPROPRIATED TO THE PRESIDENT

White **House** Office

SALARIES AND EXPENSES

The conferees agree to provide \$52,344,000 for White **House** Office Salaries and Expenses, as proposed by the **House** and the Senate. The conferees provide \$10,100,000 for reimbursements to the White **House** Communications Agency as a specific line item, as proposed by the **House**.

Executive Residence at the White **House**

OPERATING EXPENSES

The conferees provide \$8,061,000, as proposed by the **House** instead of \$8,691,000, as proposed by the Senate and prohibit the use of these funds for domestic staff overtime. As a

separate provision, the conferees include \$630,000 for domestic staff overtime and make these funds available upon the Comptroller General notifying the Committees that the Executive Office of the President (EOP) has received, reviewed and commented on the draft report of the General Accounting Office (GAO) with respect to Executive Residence operations and that the GAO is in receipt of the EOP's comments.

Office of Administration

SALARIES AND EXPENSES

The conferees agree to provide \$28,350,000 for the Office of Administration as proposed by the **House** instead of \$29,140,000 as proposed by the Senate.

The conferees are aware that additional funds of \$12,200,000 for Year 2000 compliance within the Executive Office of the President are required for fiscal year 1999.

Office of Management and Budget

SALARIES AND EXPENSES

The conferees agree to provide \$60,617,000 for the Office of Management and Budget as proposed by the Senate instead of \$59,017,000 as proposed by the **House**. The conferees agree to delete the earmark and the fence on the use of funds for the Office of Information and Regulatory Affairs, as proposed by the Senate, and include two provisos regarding the review of transcripts of the Committees on Veterans' Affairs and agricultural marketing orders, as proposed by the **House**. The conferees have included new language to amend Section ____.³⁶ of OMB Circular A-110 to ensure that all data produced under an award will be made available to the public through the procedures established under the Freedom of Information Act.

Including technical modifications, the conferees agree to include bill language requiring OMB to report on government wide paperwork reduction and the implementation of the

Congressional Review Act, as proposed by the Senate.

Performance of Statutory Responsibilities

The conferees have agreed to delete the earmark of \$5,229,000 for the Office of Information and Regulatory Affairs (OIRA) and a fence of \$1,200,000 for OIRA. The conferees have been assured that OMB will strictly adhere to the statutory requirements included in the bill on Paperwork Reduction and the Congressional Review Act. The conferees will monitor OMB's compliance with these requirements carefully.

Federal Employees' Pay Comparability Act

The conferees question the validity of the Administration's use of the ``serious economic conditions'' exception in the Federal Employees', Pay Comparability Act (FEPCA) to put forth an alternative pay plan for 1999. Press reports have indicated that members of the Administration may have concerns regarding the pay setting methodology established by FEPCA. In an effort to see that FEPCA is either fully implemented or perfected, the conferees direct the President's Pay Agent to provide the Committees with any pay setting methodology concerns it has with regard to FEPCA by May 1, 1999.

Century Date Conversion

The conferees remain concerned that with little more than a year to go before the new millennium, many critical government information systems are still in jeopardy of not meeting the January 1, 2000, deadline for date conversion. The conferees further believe that the Administration has failed to adequately champion the Y2K issue, not only

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to its own departments, but has also not provided the critical national leadership and coordination to our local, state and international partners in both the public and

private sectors. Information systems experts have reported that the Y2K fix is rooted in management and oversight, not in the lack of technology available to address the problem. Unfortunately, valuable time has been lost waiting for management to embrace the magnitude and consequences of this issue. Only recently, has organizational management finally recognized the potential for shut down of critical information systems associated with entitlement payments, revenue collection, air traffic control, defense systems, telecommunications, mass transit, supply inventories, elevator function, medical equipment, to mention a few. Many agencies at all levels of government still do not have a complete grasp of the problem and are now at the greatest risk for systems failure.

The conferees direct the Administration to focus all of its attention and resources on the management and oversight of the most critical date sensitive information and infrastructure systems, prioritizing systems renovations, repair and replacement to those that can meet the January 1, 2000, deadline. The conferees further direct the Administration to accelerate the development of contingency plans for those critical systems that cannot meet the Y2K deadline, in order to maintain functional systems operations, until patent date conversion repairs can be completed.

The conferees strongly encourage the new Y2K Czar to take a high profile national leadership position, to aggressively promote century date change awareness for both information technology systems and sensitive infrastructure applications. The Y2K Czar should monitor, coordinate and provide oversight over the progress of all government-wide century date change conversion initiatives, with the primary goal of maintaining critical systems operations into the new millennium. Finally, the Y2K Czar should have Administration standing to directly access and take control of any critical agency system that is in jeopardy of not meeting the January 1, 2000, deadline because of ineffective management action.

OMB is directed to include in its quarterly Y2K report submissions an assessment of those critical information systems that will not meet the Y2K deadline and the problems that can be anticipated. In addition, the report should include the status of operational contingency plans for those

systems identified as being in jeopardy.

Violent Crime Reduction Programs

The conferees expect the President's budget submissions for the Department of the Treasury's funding from the Violent Crime Reduction Trust Fund be reflected for the Department as a whole and not separately within each bureau's request.

Office of National Drug Control Policy

SALARIES AND EXPENSES

The conferees agree to provide \$48,042,000 for the Office of National Drug Control Policy (ONDCP) as proposed by the Senate, instead of \$36,442,000 as proposed by the **House**. This includes \$13,000,000 to continue the technology transfer pilot program managed by the Counterdrug Technology Assessment Center (CTAC). It also includes \$17,942,000 for ONDCP operations, as proposed by the Senate, \$16,000,000 for the basic CTAC program, and \$1,100,000 for policy research of which \$100,000 is to be used for evaluating the Drug-Free Communities Act, as proposed by the Senate. The conferees agree to modify language governing the authority of ONDCP to accept and use gifts.

The conference agreement separately funds \$1,000,000 for Model State Drug Law Conferences through the Violent Crime Reduction Trust Fund.

ONDCP Staffing

The conferees are concerned about requests by ONDCP to reprogram monies from the Salaries and Expenses account to fund other initiatives. The conferees in the past have fully supported and funded the full time equivalent staffing level requested by ONDCP and are concerned that ONDCP is not filling those vacancies but is instead requesting to use those funds for other purposes. The conferees believe that ONDCP needs to maintain its staffing at the authorized level in order to maximize the agency's effectiveness. The

conferees therefore direct ONDCP to review its staffing requirements and report back to the Committees on Appropriations by December 15, 1998, on the steps it is taking to fill the vacancies or, if not, what changes it is making in its staffing plan.

Performance Measures of Effectiveness

The conferees strongly urge ONDCP to work within the Administration to ensure that the Performance Measures of Effectiveness (PMEs) it developed are embraced and employed by all federal agencies for future budgetary and planning work. The conferees direct ONDCP to apply the same standard to its own internal management and organization, and to include such measures with each new budget submission.

Research and Analysis Initiatives

The conferees recognize that ONDCP has proposed some initiatives for research that, owing to lack of resources, cannot be funded in this appropriation. Nonetheless, the conferees strongly urge ONDCP to continue to press through its interagency leadership to coordinate research in such areas as improving R&D coordination, developing a government-wide intelligence architecture, and mapping out drug trafficking flows.

Protective Security Assessment

The conferees have included a new general provision, Section 643, as proposed by the Senate which directs the U.S. Marshals Service to conduct a threat assessment on the Director of the Office of National Drug Control Policy on a quarterly basis. The level of security is to be provided to ONDCP on a reimbursable basis by the U.S. Marshals Service and will be based on this quarterly threat assessment.

Rural Drug Conferences

The conferees are concerned about the spread of drugs and drug-related crimes to rural areas and whether or not rural

law enforcement can sufficiently address these new trends. Therefore, the conferees encourage the Director to consider convening a national conference on rural drug crime, to include regional conferences in rural areas, such as Luna County, NM, and similar counties in Colorado, in order to assess the needs of rural law enforcement and the impact that drug-related crimes have on rural communities as they cope with these issues.

The conferees believe that ONDCP can combine its knowledge and experience working with larger communities in this area and translate effective drug fighting practices to rural law enforcement, while taking into consideration their unique needs. Should ONDCP convene this event, the conference is requested to report to the Committees on Appropriations and the Director of ONDCP on its findings.

Shout

The conferees have provided \$50,000 to continue the work of SHOUT, an outreach organization that works with minors, as defined by 21 CFR 897.14. This early intervention program focuses on shaping the attitudes of minors in order to discourage the use of illegal substances.

Counterdrug Technology Assessment Center

The conferees expect the multiagency research and development programs to be coordinated by the Counterdrug Technology Assessment Center (CTAC) in order to prevent duplication of effort and to assure that, whenever possible, those efforts provide capabilities that transcend the need of any single Federal agency. Prior to obligation of these funds, the conferees expect to be notified by the chief scientist on how these funds will be spent. The conferees also expect to receive periodic reports from the chief scientist on the priority counterdrug enforcement research and development requirements identified by the Center and on the status of projects funded by CTAC.

Federal Drug Control Programs

high intensity drug trafficking areas program

The conferees provide \$182,477,000, instead of \$162,007,000 as proposed by the **House** and \$183,977,000 as proposed by the Senate. The conferees agree to fund all existing High Intensity Drug Trafficking Areas (HIDTAs) at the fiscal year 1998 level. This funding level shall be based on direct fiscal year 1998 appropriations for HIDTAs contained in the HIDTA and Violent Crime Reduction Trust Fund accounts. The conferees also agree that not less than fifty-one percent of this amount shall be transferred to State and local entities for drug control activities.

Within the amount appropriated, the conferees include \$20,477,000 to supplement or expand existing HIDTAs, or provide for the creation of new HIDTAs. The conferees have been informed that unmet needs for funding exist in: the Arizona HIDTA for completion of an intelligence center and unmet programmatic needs for methamphetamine and border initiatives; the New Mexico HIDTA for unmet programmatic needs; the Southwest HIDTA for its wiretapping initiative; the Cascade HIDTA for unmet programmatic needs; the expansion of the Midwest HIDTA to include the State of North Dakota; the Rocky Mountain HIDTA for expansion of its methamphetamine initiative; the Chicago HIDTA for unmet programmatic needs; and the Central Florida HIDTA for unmet programmatic needs. Additionally, the conferees are aware of interest in the designation of new HIDTAs in the New England states, East Texas, Ohio, and Hawaii.

While the conferees are obviously supportive of the HIDTA program, it is critical to the continued support and the health of all HIDTAs and the program in general that decisions about funding be founded on clear, concrete measures of performance. The conferees also believe that ONDCP must have the flexibility to allocate resources to those HIDTAs that will have the greatest impact on our drug problems. In making these decisions, ONDCP must focus on the performance of HIDTAs, existing or proposed, and their significant impact on drug trafficking, use, and associated crime. This means that ONDCP must assess which HIDTAs are the top performers and document the factors it uses to make this

determination. At the same time, ONDCP must determine where the impact will be greatest based on the combined effect of HIDTA performance and the nature and severity of drug problems that exist in the areas where HDTAs currently operate or are proposed--whether measured by use, associated crime, or volume of trafficking in drugs or money. The conferees therefore direct ONDCP to submit

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its fiscal year 2000 budget for HDTAs based on applying both ONDCP's own performance measures of effectiveness and the priorities dictated by changing threats.

special forfeiture fund

The conferees agree to provide \$214,500,000, instead of \$215,000,000 as proposed by the **House** and \$200,000,000 as proposed by the Senate. This includes \$185,000,000 for the youth media campaign, \$20,000,000 for implementation of the Drug-Free Community Act, \$5,000,000 for the chronic users study, and \$4,500,000 for a transfer to the Agricultural Research Service for anti-drug research and related matters.

youth media campaign

The conferees recommend a funding level of \$185,000,000 for the National Media Campaign. In fiscal year 1998, ONDCP proposed a 5-year media campaign at a total cost to the Federal government of \$875,000,000. The initial request was based on a \$175,000,000 annual funding level for five years of the program. The conferees continue to be fully supportive of this program and believe that this national media campaign, if properly executed, has the potential to produce concrete results. The conferees look forward to working with ONDCP on this effort to produce demonstrable results as the campaign matures.

The conferees have included new language calling for ONDCP to report on its efforts to achieve corporate sponsorship

beyond the matching requirement for participation in the media campaign; clarifies the pro bono requirement; and limits the possible use of funding for creative development efforts. The conferees agree that 75% of the funds will become available when ONDCP submits to the Committees the results of Phase I of the campaign and the remainder will become available when ONDCP submits the results of Phase II.

The Committees will closely track this national media campaign, and its contribution to achieving a drug-free America. Therefore, the conferees direct ONDCP to submit quarterly reports on the obligation of funds as well as the specific parameters of the pilot campaign. The conferees anticipate that future funding will be based upon results. ONDCP is directed to report to the Committees on Appropriations by January 15, 1999 on the effectiveness of the national media campaign. In addition, ONDCP is to report to the Committees within 6 months of enactment of this Act on State and local prevention and treatment facilities infrastructure and their capacity to handle the increased demands of communities as a result of the national media campaign. ONDCP is to continue to report on the effectiveness and implementation status of the guidelines set out in the fiscal year 1998 appropriations bill.

The conferees direct the General Accounting Office to conduct a financial audit and review of the financial transactions relating to the media campaign. The conferees request that the scope of the review include how monies have been obligated and the effectiveness of the campaign and report to the Committees on Appropriations. As part of this review, GAO shall determine the definition, acquisition, and utilization of matching contributions sought by ONDCP relating to the media campaign. In addition, the conferees direct GAO to review Phase I, the 12 city test pilot, and report its findings to the Committees. This review is to examine the development of the test market plan for Phase I, determine the viability of extrapolating Phase I results to the national level, and determine the success of Phase I in the 12 city pilot.

chronic users study

The Administration's budget estimate includes a request of \$10,000,000 to expand a preliminary user study conducted in Cook County, IL. The Cook County study developed a methodology for estimating the number of hardcore drug users in the United States. Accurately identifying this population is important since they consume a massive amount of the drugs available in the United States, create a large proportion of the demand for illegal drug markets, and are responsible for a great deal of criminal activity. The accurate identification of this population will provide communities a base for estimating the type and number of drug treatment and prevention programs required.

The conferees congratulate ONDCP on conducting this study and continue to support this effort. The conferees provide \$5,000,000 to expand the study to regional areas. Although this is less than the request, the conferees understand that ONDCP may be able to use this level of funding to complete a study that can serve as an accurate basis for a national estimate of the size and location of chronic user populations. The conferees encourage ONDCP to work with the Department of Health and Human Services to identify additional funding sources, if necessary and available, and encourage ONDCP to promote utilization of the Cook County study that contributes to reductions in the population of hardcore drug users.

unanticipated needs

The conferees agree to provide \$1,000,000 as requested by the Administration for unanticipated needs.

information technology systems and related expenses

The conferees have not included language contained in the Senate bill to provide \$3,250,000,000 in contingent emergency funding for Year 2000 computer conversion costs. On September 2, 1998, the President transmitted to Congress a request for this level of funding in fiscal year 1998. The conferees

expect that this issue will be resolved as part of a supplemental appropriation.

Title IV--Independent Agencies

Federal Election Commission

salaries and expenses

The conferees agree to provide \$36,500,000 as proposed by the **House** and the Senate. This level of funding will support a base appropriation of \$32,580,000, an additional \$2,800,000 for enhanced enforcement efforts, as proposed by the **House** and Senate, and an additional \$1,120,000 for other initiatives, as proposed by the **House**. The conferees fence \$1,120,000, pending the submission of a plan for the obligation of these funds and provide that not less than \$4,402,500 shall be available for internal automated data processing systems. The conferees strongly recommend that the FEC target the additional \$1,120,000 in fenced appropriations to the improvement of enforcement procedures and preventing the unnecessary dismissal of appropriate enforcement actions; the conferees specifically recommend that FEC expedite automated data processing improvements as they relate to enforcement. The conferees assume that full time employment will not exceed 347 FTE in fiscal year 1999.

General Services Administration

federal buildings fund

limitations on availability of revenue

The conference agreement provides \$5,605,018,000 in new obligational authority for the General Services Administration's Federal Buildings Fund instead of \$5,624,128,000 as proposed by the **House** and \$5,648,680,000 as proposed by the Senate. In order to provide the resources necessary to carry out that program, the conferees have

recommended an appropriation of \$450,018,000 into the Fund instead of \$479,300,000 as proposed by the **House** and \$508,752,000 as proposed by the Senate.

The conferees have provided \$492,190,000 for the construction and acquisition of new projects instead of \$527,100,000 as proposed by the **House** and \$538,652,000 as proposed by the Senate. The conferees have included funding for the following projects:

Arkansas: Little Rock, U.S. Courthouse.....	\$3,436,000
California:	
San Diego, U.S. Courthouse.....	15,400,000
San Jose, U.S. Courthouse.....	10,800,000
Colorado: Denver, U.S. Courthouse.....	83,959,000
District of Columbia: Southeast Federal Center Remediation...	10,000,000
Florida:	
Jacksonville, U.S. Courthouse.....	86,010,000
Orlando, U.S. Courthouse.....	1,930,000
Massachusetts: Springfield, U.S. Courthouse.....	5,563,000
Michigan: Sault Sainte Marie, Border Station.....	572,000
Mississippi: Biloxi--Gulfport, U.S. Courthouse.....	7,543,000
Missouri: Cape Girardeau, U.S. Courthouse.....	2,196,000
Montana: Babb, Piegan Border Station.....	6,165,000
New York:	
Brooklyn, U.S. Courthouse.....	152,626,000
New York, U.S. Mission to the United Nations.....	3,163,000
Oregon: Eugene, U.S. Courthouse.....	7,190,000
Tennessee: Greenville, U.S. Courthouse.....	28,229,000
Texas: Laredo, U.S. Courthouse.....	28,105,000
West Virginia: Wheeling, U.S. Courthouse.....	29,303,000
Nationwide: Non-prospectus construction projects.....	10,000,000

The conferees have not provided funds for the Savannah, Georgia, U.S. Courthouse Annex project. The conferees are aware that at a recent meeting to consider the authorization of new courthouse construction projects, the Public Buildings and Economic Development Subcommittee of the **House** Committee on Transportation and Infrastructure deferred action on this project pending further review. The conferees further understand that that action was taken primarily because of the significant increase in estimated project cost that has

occurred since the approval of funds for site acquisition and design, even though the size of the building has been reduced. The conferees share those concerns and, have, therefore, elected to defer funding for the project pending resolution of the issues that have been raised by the authorizing committee.

The conferees recognize the efforts of the General Services Administration and the Judiciary to reduce the cost of courthouse construction and encourage the continuation of these efforts. The conferees are pleased that the Administrative Office of the U.S. Courts' recent draft utilization study answers some questions about the utilization rates of existing and proposed courthouses. The conferees are aware of the Judiciary's needs to have court space available to conduct business and understand their position that a courtroom's existence may result in moving a case to settlement. However, the conferees continue to be concerned that the courts are not fully examining information that is key to the development of a utilization planning

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model. As a result, the conferees request the Administrative Office of the U.S. Courts to revise the utilization study to include the assumptions used to develop the planning model. Additionally, the conferees direct the General Services Administration to provide the utilization rates of existing and proposed courtrooms with any request for new construction, replacement, or expansion of court space.

The conference agreement includes language proposed by the Senate authorizing the General Services Administration to reacquire the parcel of land on Block 111, East Denver, Denver, Colorado, which was sold at public auction by the Federal government to the present owner of the property.

The conference agreement includes language proposed by the Senate which provides that funds provided in fiscal year 1993 for the Hilo, Hawaii, federal building shall be expended for the planning and design of the Mauna Kea Astronomy Educational Center.

The conference agreement deletes language proposed by the Senate regarding funding for the design of the Department of Transportation headquarters building and landing rights at Denver International Airport.

The conference agreement includes language included in the **House** reported bill which provides that of the funds provided for non-prospectus construction projects, \$2,100,000 shall be available for acquisition, lease, construction, and equipping of flexiplace telecommuting centers.

The conferees have also agreed to include language in the bill permitting the General Services Administration to purchase, at the appropriate price, real estate essential to meet security interests related to the successful completion of the new courthouse in Scranton, Pennsylvania.

The conferees have provided \$668,031,000 for repairs and alterations as proposed by the Senate instead of \$655,031,000 as proposed by the **House**. The conference agreement provides that \$161,500,000 of the funds shall not be available for obligation until September 30, 1999, instead of \$19,000,000 as proposed by the **House** and \$323,800,000 as proposed by the Senate.

The amount provided includes \$25,000,000 for the chlorofluorocarbons program and \$25,000,000 for the energy program as proposed by the Senate instead of \$18,500,000 for each program as proposed by the **House**.

The conferees have agreed to list in the bill the amounts provided for each of the projects and activities to be undertaken under Repairs and Alterations as proposed by the Senate. Accordingly, there is no need for GSA to submit the plan for program execution called for in the **House** report.

The conference agreement includes the language contained in the Senate bill regarding the use of funds for security improvements.

The conference agreement includes language proposed by the **House** which provides that funds provided in Public Law 103-329 for the IRS Service Center in Holtsville, New York, shall remain available until September 30, 1999.

The conference agreement includes language proposed by the Senate which provides that \$100,000 shall be used to address lighting issues at the Byrne-Green Federal Courthouse in

Philadelphia, Pennsylvania; provides that \$1,600,000 shall be used to complete alterations at the Milwaukee, Wisconsin, Courthouse; and provides that \$1,100,000 may be used to provide a new fence for the Suitland Federal Complex in Suitland, Maryland.

The conferees have provided \$215,764,000 for installment acquisition payments as proposed by the **House** and the Senate.

The conferees have provided \$2,583,261,000 for rental of space as proposed by the Senate instead of \$2,580,461,000 as proposed by the **House**. The conference agreement provides that \$15,000,000 of the funds provided shall not be available for obligation until September 30, 1999, instead of \$51,667,000 as proposed by the Senate.

The conferees have provided \$1,554,772,000 for building operations as proposed by the **House** and the Senate. The conference agreement provides that \$68,000,000 of the funds provided shall not be available for obligation until September 30, 1999, instead of \$223,000,000 as proposed by the **House** and \$31,095,000 as proposed by the Senate.

The conference agreement provides that \$475,000 shall be available for the 1999 Women's World Cup soccer event and that \$600,000 shall be available for the 1999 World Alpine Ski Championships.

public service recognition week

The conferees recognize that Public Service Recognition Week, a program of the Public Employees Roundtable, has educated America about the value of the career workforce which carries out the daily operations of government. This program, which has existed for over ten years, plays an important role in educating our nation's youth and providing them with timely information about their government. The conferees urge the General Services Administration to support the mission of the Public Employees Roundtable and provide administrative and logistical assistance equaling \$100,000 for carrying out its Public Service Recognition Week activities.

los angeles, california, civic center trust

The conferees are aware that the U.S. Courthouse in Los Angeles, California, will be serving as the cornerstone for an economic revitalization of the Civic Center neighborhood, where currently more than 50 public and private projects are in various stages of development. The Los Angeles City Civic Center Trust, established by Project Restore, a nonprofit organization, will facilitate and coordinate this revitalization. The conferees urge the General Services Administration to continue its current work and support the mission of the Los Angeles Civic Center Trust by providing planning, administrative, and logistical support for its activities.

ronald reagan courthouse--santa ana, california

The conferees understand that none of the artwork acquired for the Ronald Reagan Courthouse in Santa Ana, California, recognizes President Reagan. The conferees urge the General Services Administration to acquire and display artwork that appropriately commemorates President Reagan. Further, the conferees urge the General Services Administration to work with the Ronald Reagan Presidential Library and Museum to determine the feasibility of maintaining a rotating exhibit at the Ronald Reagan Courthouse.

president harry s truman

The conferees note that there is no major recognition of President Harry S Truman in the Nation's Capital. The conferees request that the General Services Administration review such proposals as may exist and report to the Committees on Appropriations no later than June 1, 1999.

policy and operations

The conference agreement appropriates \$109,594,000 for

Policy and Operations instead of \$108,494,000 as proposed by the **House** and \$106,494,000 as proposed by the Senate. The conferees direct that \$2,000,000 be provided for the pilot project in digital learning technologies as described in the **House** report and that \$1,000,000 be used to initiate a digital education project.

The conferees have also included language in the bill that provides that \$100,000 of the funds appropriated shall be provided to the Property Disposal activity of this account. This amount represents the estimated fair market value of the property to be conveyed to the City of Racine, Wisconsin, as described in section 409 of the bill.

The conferees have modified language proposed by the Senate regarding the Old Post Office at 1100 Pennsylvania Avenue in Washington, D.C., to make the language applicable only for fiscal year 1999 and to require that the comprehensive plan for use of the property also be approved by the Senate Committee on Environment and Public Works and the **House** Committee on Transportation and Infrastructure.

surplus equipment to schools and educational institutions

The conferees urge the General Services Administration, in line with its responsibilities for the disposal of excess and surplus Federal personal property, to promote and foster the transfer of excess and surplus computer equipment directly to schools and to appropriate nonprofit, community-based educational organizations. The GSA should communicate with other Federal agencies to heighten their ongoing awareness of the existing opportunities at both the national and local levels to meet the needs of the schools for such equipment.

All Federal agencies are required, to the extent permitted by law and after determining that the equipment is excess to their needs, to give highest preference to schools and nonprofit organizations in the transfer of educationally useful Federal computer equipment. Agencies are required to inventory all computer equipment and identify in their inventories their excess and surplus equipment. Federal agencies are also required to report to GSA the transfer of any personal property, including computer equipment, made to

nongovernmental entities such as schools.

The conferees commend GSA and the Office of Science and Technology Policy (OSTP) for the progress that has been made simplifying and improving the Federal Surplus Computer Donation Program. One remaining hurdle for schools interested in participating in the program is the lack of operating systems on many donated computers. The conferees urge GSA and OSTP to work together with operating system providers to develop a partnership with those providers similar to the partnership that has already been formed with van lines to assist in transporting donated computers. The goal of this partnership would be to provide operating systems to schools which receive computers through the donation program.

federal office building in colorado springs, colorado

The Federal building located at 1520 Willamette Ave. in Colorado Springs, Colorado, is owned by GSA and is currently leased to the U.S. Air Force Space Command. It is the conferees' understanding that the Space Command is moving ahead with options to vacate the facility. In the event that Space Command does not renew its lease and the facility becomes vacant and is deemed surplus, the conferees urge GSA to strongly consider the U.S. Olympic Committee's (USOC) need for additional space and to give priority to the USOC's request to gain title or acquire the property.

General Provisions--General Services Administration

Section 401. The conference agreement includes a provision proposed by the Senate

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which provides that accounts available to GSA shall be credited with certain funds received from government corporations. The provision was also included in the **House** reported bill.

Section 402. The conference agreement includes a provision proposed by the Senate which provides that funds available to

GSA shall be available for the hire of passenger motor vehicles. The provision was also included in the **House** reported bill.

Section 403. The conference agreement includes a provision proposed by the Senate which authorizes GSA to transfer funds within the Federal Buildings Fund to meet program requirements. A similar provision was included in the **House** reported bill.

Section 404. The conference agreement includes a provision proposed by the Senate which prohibits the use of funds to submit a fiscal year 2000 budget request for courthouse construction projects that do not meet design guide criteria, do not reflect the priorities of the Judicial Conference of the United States, and are not accompanied by a standardized courtroom utilization study. A similar provision was included in the **House** reported bill.

Section 405. The conference agreement includes a provision proposed by the Senate which provides that no funds may be used to increase the amount of occupiable square feet or provide cleaning services, security enhancements, or any other service usually provided, to any agency which does not pay the requested rental rates. The provision was also included in the **House** reported bill.

Section 406. The conference agreement includes a provision proposed by the Senate which provides that funds provided by the Information Technology Fund for pilot information technology projects may be repaid to the Fund. The provision was also included in the **House** reported bill.

Section 407. The conference agreement includes a provision proposed by the Senate which permits GSA to pay claims of up to \$250,000 arising from construction projects and the acquisition of buildings. The provision was also included in the **House** reported bill.

Section 408. The conference agreement includes a provision proposed by the Senate providing \$5,000,000 for the demolition, cleanup, and conveyance of the property at block 35, and lot 2 of block 36 in Anchorage, Alaska. The **House** bill contained no similar provision.

Section 409. The conference agreement includes a provision proposed by the Senate authorizing GSA to convey the property

which contains the U.S. Army Reserve Center in Racine, Wisconsin, to the City of Racine. The Senate language has been amended by deleting the phrase ``without consideration.'' The **House** reported bill contained a similar provision.

Section 410. The conference agreement includes language proposed by the Senate directing the General Services Administration to enter into an operating lease to acquire space for the Department of Transportation headquarters. The **House** bill contained no similar provision.

Section 411. The conference agreement includes a provision proposed by the **House** regarding the fees charged by GSA for the use of telecommuting centers by Federal agencies. The Senate bill contained no similar provision.

Section 412. The conference agreement includes a provision proposed by the Senate authorizing GSA to transfer property in Dade County, Florida, to the University of Miami. The Senate language has been amended to allow a land exchange. The **House** reported bill contained a similar provision.

Section 413. The conference agreement includes a provision directing GSA to reincorporate the elements of the original proposed design for the facade of the United States Courthouse project in London, Kentucky, into the revised design of the building. This will ensure that the construction of the new courthouse is compatible with the architectural character of the historic existing U.S. courthouse. The construction of the project should in no way be diminished in order to achieve this goal. This provision was included in the **House** reported bill.

The conference agreement deletes language contained in section 411 of the Senate bill which appropriates \$14,105,000 for costs associated with the security of the Capitol complex. The conferees recognize the importance of Capitol security and have consulted with and deferred to the jurisdiction of the Legislative Branch Appropriations Subcommittee to coordinate those requirements.

Environmental Dispute Resolution Fund

The conference agreement appropriates \$4,250,000 for

capitalization of the Environmental Dispute Resolution Fund and operation of the United States Institute for Environmental Conflict Resolution as proposed by the **House**. The Senate did not include funds for this activity.

Merit Systems Protection Board

The conferees understand that an agreement has been reached between MSPB and its administrative judges regarding the establishment of a special pay classification for the administrative judges. The conferees are encouraged by this progress and urge MSPB to work with the proper **House** and Senate authorizing committees and the Office of Management and Budget so this agreement can be addressed in the fiscal year 2000 budget submission and through appropriate legislative action.

National Archives and Records Administration

OPERATING EXPENSES

The conference agreement appropriates \$224,614,000 for operating expenses of the National Archives and Records Administration instead of \$216,753,000 as proposed by the **House** and \$221,030,000 as proposed by the Senate. The conferees have included language delaying the availability of \$7,861,000 of the funds appropriated until September 30, 1999, instead of \$4,277,000 as proposed by the Senate.

The conferees are aware that additional funds in the amount of \$5,411,000 are required in fiscal year 1999 for Year 2000 compliance.

NATIONAL PERSONNEL RECORDS CENTER

The conferees are aware that in many instances veterans are experiencing significant delays, often as long as six months, when attempting to gain access to records they need to obtain medical assistance or other benefits from the National Personnel Records Center in St. Louis, Missouri. The

conferees believe that this is unacceptable. The conferees are also aware that the National Archives and Records Administration (NARA) has initiated a business process re-engineering project at the center to address concerns about the timeliness of responses to veterans' requests. The implementation of this project will take about five years at a total cost of approximately \$6,000,000. The goal of the program is to achieve case cycle time of 10 days or less. For fiscal year 1999, the NARA will be conducting a pilot test of the business process re-engineering program to validate the processes and methods that have been recommended. The conferees have been informed by NARA that this pilot test can be funded from within existing resources. The conferees further understand that the Archives plans to begin implementation of this program in fiscal year 2000. The conferees are very supportive of this extremely important effort and expect NARA to request the funds it needs to begin implementation of the program in the fiscal year 2000 budget.

REPAIRS AND RESTORATION

The conference agreement appropriates \$11,325,000 for repairs and restoration of Archives facilities as proposed by the Senate instead of \$10,450,000 as proposed by the **House**. The conferees have not included language proposed by the Senate delaying the availability of \$2,000,000 of the funds until September 30, 1999.

The conference agreement includes language proposed by the Senate providing \$875,000 for a requirements study and design of a facility in Anchorage, Alaska.

National Historical Publications and Records Commission

GRANTS PROGRAM

The conference agreement appropriates \$10,000,000 for the Grants Program of the National Historical Publications and Records Commission instead of \$6,000,000 as proposed by the **House** and \$11,000,000 as proposed by the Senate.

The conferees have included language delaying the availability of \$4,000,000 of the funds until September 30, 1999, instead of \$5,500,000 as proposed by the Senate.

The conferees have agreed to provide \$4,000,000 for a grant to the Center for Jewish History instead of \$5,000,000 as proposed by the Senate. The conferees note, however, that a single grant of this size is far beyond the scope of activities normally undertaken by the National Historical Publications and Records Commission. For example, the Commission expects to fund, in whole or in part, 103 proposals with the \$5,500,000 provided in fiscal year 1998. Therefore, the conferees agree that the funds provided for the Center for Jewish History represent the total to be provided from this account.

United States Tax Court

SALARIES AND EXPENSES

The conference agreement appropriates \$32,765,000 for the United States Tax Court as proposed by the Senate instead of \$34,490,000 as proposed by the **House**.

TITLE V--GENERAL PROVISIONS

This Act

Sec. 501. The conferees agree to continue to limit the expenditure of appropriated funds to the current year, unless otherwise designated.

Sec. 502. The conferees agree to continue to limit funding for consulting services.

Sec. 503. The conferees agree to continue to prohibit the use of funds prohibiting the enforcement of Sec. 307 of the 1930 Tariff Act. (Sec. 307 bans imported goods produced by slave/forced labor).

Sec. 504. The conferees agree to continue the prohibition on transfer of control over FLETC.

Sec. 505. The conferees agree to continue to protect civilian employee rights following assignment with the Armed

Forces.

Sec. 506. The conferees agree to continue the requirements on ``Buy American Act'' compliance.

Sec. 507. The conferees agree to continue ``Sense of Congress'' language regarding purchase of American made equipment and products.

Sec. 508. The conferees agree to continue to prohibit contract eligibility where fraudulent intent has been proven in affixing ``Made in America'' labels.

Sec. 509. The conferees agree to a provision proposed by the **House** which prohibits funds

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to pay for an abortion or any administrative expenses for FEHBP plans that provide benefits or coverage for abortions.

Sec. 510. The conferees agree to a provision proposed by the Senate in Title VI of this bill providing that Sec. 509 shall not apply if the life of the mother is in danger or the pregnancy is the result of an act of rape or incest.

Sec. 511. The conferees agree to a provision proposed by the Senate which authorizes the use of unobligated balances for certain purposes, providing that such requests be made in compliance with reprogramming guidelines.

Sec. 512. The conferees agree to include a provision as proposed by both the **House** and Senate which prohibits the use of funds for the White **House** to request official background reports without the written consent of the individual who is the subject of the report.

Sec. 513. The conferees have included language which provides that funds provided in this Act may be used to initiate or continue projects or activities, to the extent necessary, consistent with existing agency plans, to achieve Year 2000 (Y2K) conversion to ensure adequate funding until such time as supplemental appropriations are made available for that purpose. The language also includes a provision which requires agencies that use funds appropriated in this Act for Y2K conversion activities to restore funds to the program, project, or activity from which the funds were obligated when supplemental appropriations for Y2K conversion activities are made available.

Sec. 515. The conferees agree to include a provision authorizing the payment of attorneys' fees, costs and sanctions by the Federal government in the case Association of American Physicians and Surgeons, Inc. v. Clinton from the White **House** Office Salaries and Expenses account, as proposed by the **House** in the **House**-reported bill.

Sec. 516. The conferees agree to include a new provision authorizing the use of fifty percent of the fiscal year 1997 unobligated balances available to the White **House** Salaries and Expenses account for the purposes of partially satisfying the conditions of Section 515.

Sec. 517. The conferees have agreed to include language which makes technical corrections to the Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992.

Sec. 518. The conferees have agreed to include a new provision regarding cost accounting standards to contracts under the FEHBP.

The conferees delete a provision which provides for the appointment and reappointment of Staff Director and General Counsel of the Federal Election Commission.

TITLE VI--GENERAL PROVISIONS

Departments, Agencies, and Corporations

Sec. 601. The conferees agree to continue a provision authorizing agencies to pay costs of travel to the United States for the immediate families of Federal employees assigned to foreign duty in the event of a death or a life threatening illness of the employee.

Sec. 602. The conferees agree to continue a provision requiring agencies to administer a policy designed to ensure that all of its workplaces are free from the illegal use of controlled substances.

Sec. 603. The conferees agree to continue a provision authorizing reimbursement for travel, transportation, and subsistence expenses incurred for training classes, conferences, or other meetings in connection with the provision of child care services to Federal employees.

Sec. 604. The conferees agree to continue a provision

regarding price limitations on vehicles to be purchased by the Federal government.

Sec. 605. The conferees agree to continue a provision allowing funds made available to agencies for travel to also be used for quarters allowances and cost-of-living allowances.

Sec. 606. The conferees agree to continue a provision prohibiting the Government, with certain specified exceptions, from employing non-U.S. citizens whose posts of duty would be in the continental U.S.

Sec. 607. The conferees agree to continue a provision authorizing agencies to use funds to pay GSA bills for renovations and other services.

Sec. 608. The conferees agree to continue a provision allowing agencies to finance the costs of recycling and waste prevention programs with proceeds from the sale of materials recovered through such programs.

Sec. 609. The conferees agree to continue a provision providing that funds may be used to pay rent and other service costs in the District of Columbia.

Sec. 610. The conferees agree to continue a provision prohibiting the use of appropriated funds to pay the salary of any nominee after the Senate voted not to approve the nomination.

Sec. 611. The conferees agree to continue a provision precluding the financing of groups by more than one Federal agency absent prior and specific statutory approval.

Sec. 612. The conferees agree to continue a provision authorizing the Postal Service to employ guards and give them the same special police powers as GSA guards.

Sec. 613. The conferees agree to continue a provision prohibiting the use of funds for enforcing regulations disapproved in accordance with the applicable law of the U.S.

Sec. 614. The conferees agree to continue a provision limiting the pay increases of certain prevailing rate employees.

Sec. 615. The conferees agree to continue a provision limiting the amount of funds that can be used for redecoration of offices under certain circumstances.

Sec. 616. The conferees agree to modify a provision prohibiting the expenditure of funds for the acquisition of

additional law enforcement training facilities.

Sec. 617. The conferees agree to continue a provision to allow for interagency funding of national security and emergency telecommunications initiatives.

Sec. 618. The conferees agree to continue a provision requiring agencies to certify that a Schedule C appointment was not created solely or primarily to detail the employee to the White **House**.

Sec. 619. The conferees agree to continue a provision requiring agencies to administer a policy designed to ensure that all of its workplaces are free from discrimination and sexual harassment.

Sec. 620. The conferees agree to continue a provision prohibiting the use of funds for travel expenses not directly related to official governmental duties.

Sec. 621. The conferees agree to a new provision providing that no adjustment shall take effect in fiscal year 1999 in the rates of basic pay for the statutory pay systems under section 5303 of title 5, United States Code.

Sec. 622. The conferees agree to continue a provision which prohibits the use of appropriated funds in this or any other Act to acquire information technology which does not comply with part 39.106 (Year 2000 compliance) of the Federal acquisition regulations.

Sec. 623. The conferees agree to continue the provision prohibiting the importation of any goods manufactured by forced or indentured child labor.

Sec. 624. The conferees agree to modify a provision which prohibits the use of funds for Sunday premium pay to an employee unless the work was actually performed.

Sec. 625. The conferees agree to continue a provision which prohibits the use of funds to prevent Federal employees from communicating with Congress or to take disciplinary or personnel actions against employees for such communication.

Sec. 626. The conferees agree to a new provision that provides additional flexibility relating to the FTS 2000 contract.

Sec. 627. The conferees agree to a new provision to protect Federal law enforcement officers who intervene in certain situations.

Sec. 628. The conferees agree to a new provision reforming

Federal firefighters overtime pay.

Sec. 629. The conferees agree to a new provision requiring a joint review by the Department of the Treasury, the Department of Justice, and the Office of National Drug Control Policy on the coordination of Southwest border counter drug activities.

Sec. 630. The conferees agree to a new provision that provides that for fiscal year 1999 and each fiscal year thereafter, each executive agency of the Federal government shall make available at a minimum \$50,000 for expenses necessary to carry out a flexiplace work telecommuting program.

Sec. 631. The conferees agree to a new provision to amend permanent law to make Senior Executive Service Presidential Awards based upon base salary percentages of 20 percent (for ``Meritorious Awards'') and 35 percent (for ``Distinguished Awards'') rather than the current dollar amounts.

Sec. 632. The conferees agree to a new provision to increase the formula used to calculate the aggregate amount available for performance awards to 10 percent of the Senior Executive Service pool or 20 percent of the average of annual rates of basic pay.

Sec. 633. The conferees agree to a new provision regarding U.S. Government participation in the Universal Postal Union.

Sec. 634. The conferees agree to continue a provision requiring the President to certify that no persons responsible for administering the Drug Free Workplace Program are themselves the subject of random drug testing.

Sec. 635. The conferees agree to modify a provision prohibiting Federal training not directly related to the performance of official duties.

Sec. 636. The conferees agree to continue a provision prohibiting expenditure of funds for implementation of agreements in nondisclosure policies, without ``Whistleblower'' protection clauses.

Sec. 637. The conferees agree to continue a provision which prohibits executive branch agencies from the use of appropriated funds for publicity or propaganda purposes to support or defeat legislation pending before Congress.

Sec. 638. The conferees agree to a new provision requiring the OMB to do an accounting statement and associated report

on the cumulative costs and benefits of Federal regulatory programs, as proposed by the Senate and make this provision applicable for one year only.

Sec. 639. The conferees agree to continue a provision providing that no funds may be expended to provide an employee's home address to a labor organization except when the employee has authorized such a disclosure or such disclosure has been ordered by a court of competent jurisdiction.

Sec. 640. The conferees agree to continue a provision authorizing the Secretary of the Treasury to establish scientific certification standards for explosives detection canines.

Sec. 641. The conferees agree to continue a provision prohibiting the use of appropriated

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funds to provide nonpublic information such as mailing or telephone lists to any person or organization outside of the Government.

Sec. 642. The conferees agree to continue a provision prohibiting funding for publicity or propaganda purposes not authorized by Congress.

Sec. 643. The conferees agree to a new provision that directs the U.S. Marshals Service to conduct a quarterly threat assessment on the Director of the Office of National Drug Control Policy upon which the Director's security needs will be based.

Sec. 644. The conferees agree to a new provision to expand section 636 of the Treasury, Postal Service and General Government Appropriations Act, 1997 (Public Law 104-208) to include the judicial branch.

Sec. 645. The conferees agree to a new provision directing employees to use ``official time'' in an honest effort to perform official duties. The conferees agree that this section does not affect the rights and responsibilities under chapter 71 of title 5, United States Code.

Sec. 646. The conferees agree to a new provision providing monetary relief to importers whose legally purchased goods were denied entry upon arrival because of changes in official

policy.

Sec. 647. The conferees agree to a new provision regarding pay for Federal employees. The conferees anticipate that the President will issue an Executive Order allocating the 3.6 percent pay increase between an increase in rates of basic pay for the statutory pay systems under section 5303 of title 5, United States Code, and increases in comparability-based locality payments for General Schedule employees under section 5304. The conferees have not made the language more specific so that the President may exercise his discretion to distribute any amount allocated for comparability-based locality payments in the most appropriate fashion among the pay localities established by the President's Pay Agent.

Sec. 648. The conferees agree to a new provision requiring the Postal Rate Commission to submit an annual report to Congress regarding international mail rates.

Sec. 649. The conferees agree to a new provision to extend the sunset date for Section 2(f)(2) of the Undetectable Firearms Act of 1988 (18 U.S.C. 922 note) from 10 to 15 years.

Sec. 650. The conferees agree to a new provision to direct the Customs Service, in consultation with the U.S. Trade Representative and the Department of Commerce, to report on the importation of certain grains.

Sec. 651. The conferees agree to a new provision to designate the Eugene J. McCarthy Post Office Building.

Sec. 652. The conferees agree to a new provision authorizing the use of credit card rebates to support the Joint Financial Management Improvement Program.

Sec. 653. The conferees agree to a new provision addressing use of accrued leave as it applies to Senior Executive Service reduction in force actions.

Sec. 654. The conferees agree to a new provision directing agencies to assess the impact of Federal regulations and policies on families.

Sec. 655. The conferees include a new provision relating to the application of 18 U.S.C., Section 922(t).

Section 656. The conferees agree to a new provision addressing contraceptive coverage in health plans participating in the FEHB program.

The conferees delete a provision included by the **House**

prohibiting the use of appropriated funds for new nonpostal commercial activities or pack and send services.

The conferees delete a provision included by the Senate prohibiting the acquisition of products produced by forced or indentured child labor.

The conferees delete a provision included by the Senate authorizing agencies to provide child care in federal or leased facilities.

The conferees delete a provision included by the Senate expressing a sense of Congress that a postal stamp be created to commemorate Oskar Schindler.

The conferees delete a provision included by the Senate prohibiting the use of any funds in this Act to pay for abortions or administrative expenses of any FEHBP plans which provide abortion benefits. This provision is addressed in Section 509.

The conferees delete a provision included by the Senate authorizing the expenditure of funds for abortions under the FEHBP if the life of the mother is in danger or the pregnancy is the result of an act of rape or incest. This provision is addressed in Section 510.

The conferees delete a provision included by the Senate requiring any Senate or **House** bill or joint resolution of a public character to include a detailed analysis of the potential impact of such legislation on family well-being and on children.

The conferees delete a provision included by the Senate authorizing \$420,000,000 in emergency funding for the Strategic Petroleum Reserve.

The conferees delete a provision included by the Senate expressing the sense of Congress that a postal stamp be created to honor the 150th Anniversary of Irish immigrants to the United States.

The conferees delete a provision included by the Senate authorizing the Community and Postal Participation Act of 1998.

The conferees delete a provision included by the Senate waiving Section 611 of this title to permit interagency funding of the National Bioethics Advisory Commission.

The conferees delete a provision included by the Senate to permit the interagency funding of the National Science and

Technology Council.

The conferees delete a provision included by the Senate allowing amounts appropriated in this Act to be transferred to the FLETC ACIRE account. The conferees address this appropriation in Title I of this Act.

The conferees delete a provision dealing with child care in Federal facilities, proposed by the Senate.

TITLE VIII--TECHNICAL AND CLARIFYING AMENDMENTS

The conferees delete a new title authorizing the Office of National Drug Control Policy proposed by the Senate and instead insert a new title regarding administration of the DC Retirement Trust Fund.

TITLE IX--HAITIAN REFUGEE IMMIGRATION FAIRNESS ACT OF 1998

The conference agreement includes a new Title, the Haitian Refugee Immigration Fairness Act of 1998, as proposed in the Senate bill, which provides certain Haitians who were paroled into the United States before December 31, 1995 and who applied for asylum by that date, and certain unaccompanied minors, to apply for adjustment of status. The **House** had no similar provision.

In addition, the conference agreement adds a section requiring detailed reports from the Comptroller General on the numbers of aliens who apply for and receive status adjustment under this Act.

conference total--with comparisons

The total new budget (obligational) authority for the fiscal year 1999 recommended by the Committee of Conference, with comparisons to the fiscal year 1998 amount, the 1999 budget estimates, and the **House** and Senate bills for 1999 follow:

New budget (obligational) authority, fiscal year 1998...	\$25,325,767,500
Budget estimates of new (obligational) authority, fiscal	26,839,489,000
House bill, fiscal year 1999.....	26,614,669,000
Senate bill, fiscal year 1999.....	29,923,612,000

Conference agreement, fiscal year 1999.....	26,772,527,000
Conference agreement compared with:	
New budget (obligational) authority, fiscal year 1998...	+1,446,759,500
Budget estimates of new (obligational) authority, fiscal y-	66,962,000
House bill, fiscal year 1999.....	+157,858,000
Senate bill, fiscal year 1999.....	-3,151,085,000

Additional Provisions (Division A)

Sections 102-134

The conference agreement includes \$50,000,000 in final year funding for the nonpower programs of the Tennessee Valley Authority. Within this amount, \$7,000,000 is provided for Land Between the Lakes.

The conference agreement includes language permitting the Tennessee Valley Authority (TVA) to repurchase bonds issued by the Federal Financing Bank (FFB) without prepayment penalty. This provision will permit TVA to prepay its loans at less than their full contractual value, resulting in a savings to TVA of approximately \$810,000,000 over ten years. The FFB, however, retains its contractual obligation to repay its corresponding loan from the Treasury at the full market value of the TVA loan. This will require additional appropriations to the FFB.

The conference agreement repeals section 312 of the Energy and Water Development Appropriations Act, 1999. Section 312 delayed until September 30, 1999, the obligation of \$57,000,000 in the Atomic Energy Defense Activities, Weapons Activities appropriation account.

The conference agreement provides \$35,000,000 for the Columbia River Fish Mitigation, Washington, Oregon and Idaho, project of the U.S. Army Corps of Engineers.

The conference agreement provides: \$1,500,000 of previously appropriated funds to initiate construction of the Delaware River Mainstem and Channel Deepening, Delaware, New Jersey, and Pennsylvania, project; \$400,000 of previously appropriated funds to initiate a comprehensive aquatic ecosystem restoration study in the Upper Susquehanna-Lackawanna Watershed; and \$340,000 of previously appropriated

funds to initiate construction of the Pierre, South Dakota, flood mitigation project, subject to authorization. The agreement also includes \$1,500,000 of previously appropriated funds for water-related environmental infrastructure and resource protection and development projects in Allegheny County, Pennsylvania. Of this amount, \$500,000 is for water resource projects in Scott Township, \$500,000 is for projects in Shaler Township, and \$500,000 is for projects in the municipality of Penn Hills.

The conference agreement includes authorization and \$750,000 for repair of the Archusa Water Park Dam, Quitman, Mississippi.

The conference agreement includes \$60,000,000 for solar and renewable programs in the energy supply account in addition to the amount provided for fiscal year 1999 in the Energy and Water Development Appropriations Act, 1999 (P.L. 105-245). Of this amount, \$42,000,000 has been provided to reduce the \$50,000,000 general reduction in the

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energy supply account that otherwise would have been applied to solar and renewable programs. The remaining \$18,000,000 has been provided for high-priority solar and renewable research and development activities. The Department is directed to submit a proposal for approval by the Committees on Appropriations within thirty days of enactment of this bill which includes the Department's plan to direct this additional amount to high-priority programs. The entire \$60,000,000 is to remain available through September 30, 2000.

The conference agreement includes \$15,000,000 for the Department of Energy to participate in the Next Generation Internet program. The Department is directed to award funds under this program using full and open competitive procedures.

The conference agreement includes language prohibiting the use of funds appropriated for fiscal year 1999 to study, or implement any plan for, the drainage of Lake Powell or the decommissioning of Glen Canyon Dam.

The conference agreement provides \$100,000,000 for

construction of and improvements to surface transportation projects located in the Commonwealth of Massachusetts.

The conference agreement provides \$100,000,000 for construction of and improvements to Corridor X of the Appalachian development highway system within the State of Alabama.

The conference agreement provides \$32,000,000 for construction of and improvements to the Appalachian development highway system in West Virginia.

The conference agreement provides \$100,000,000 for construction of and improvements to highway projects designated by section 1105(c)(18)(C)(ii) of the Intermodal Surface Transportation Efficiency Act of 1991, as amended by section 1211(i) of the Transportation Equity Act for the 21st Century.

The conference agreement includes an appropriation of \$28,000,000, to remain available until expended, to enable the Secretary of Transportation to make grants to the state-owned Alaska Railroad. These funds are to be utilized for planning, design, administration and construction costs associated with the Anchorage International Airport-rail passenger station.

The conference agreement rescinds \$392,000,000 in excess contract authority from the Federal Transit Administration's discretionary grants program. A similar rescission was proposed by the Senate as part of the fiscal year 1999 Department of Transportation and Related Agencies Appropriations Act.

The conference agreement includes a provision that provides within funding provided in the Department of Transportation and Related Agencies Appropriations Act, 1999, for discretionary grants under the obligation limitation for Federal Aviation Administration, ``Grants-in-Aid for Airports'' in fiscal year 1999, not less than \$11,250,000 shall be made available for capital improvement projects at the Wilkes-Barre/Scranton International Airport. These projects are in the FAA-approved airport layout plan, and include construction of a new terminal building, relocation of the FAA air traffic control tower, and relocation of the airport rescue and firefighting facility. The conference agreement includes an understanding that the airport

authority is supportive of renaming this airport after Congressman Joseph M. McDade, who has served that area of Pennsylvania faithfully and diligently for 36 years. The conferees are strongly supportive of the airport's efforts in this regard.

The conference agreement includes a provision that provides within funding provided in the Department of Transportation and Related Agencies Appropriations Act, 1999, for discretionary grants under the obligation limitation for Federal Aviation Administration, ``Grants-in-Aid for Airports'' in fiscal year 1999, not less than \$7,000,000 shall be made available for capital improvement projects at the Minneapolis/St. Paul International Airport.

The conference agreement amends the appropriating paragraph for the Joint Committee on Printing in the Conference Report on the Legislative Branch Appropriations, 1999 (H.R.4112) to provide that the \$150,000 made available, subject to certain conditions, to the Committee on **House** Oversight shall be disbursed by the Chief Administrative Officer of the **House** of Representatives.

The conference agreement includes a provision to appropriate \$30,000,000 for the purpose of carrying out the provisions of the American Fisheries Act, which is included in Division C, title II of this Act, as follows: (1) \$750,000 for the cost of a direct loan under section 207(a); (2) \$20,000,000 for direct payments under section 207(d); (3) \$250,000 for the cost of the direct loans under section 211(e); (4) \$1,000,000 for the cost of direct loans in the Bering Sea and Aleutian Island crab fishery; and (5) \$8,000,000 for administrative expenses associated with implementation of this title. Neither the **House** nor Senate bills addressed this matter.

The conference agreement inserts a new general provision, which includes the following amounts in addition to the amounts provided in the conference report (H. Rept. 105-769) accompanying H.R. 4194:

(1) \$10,000,000 for the housing opportunities for persons with AIDS account. This amount is an increase above the \$215,000,000 provided for this program in the Fiscal Year 1999 Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act;

(2) \$45,000,000 for grants of \$3,000,000 to each urban empowerment zone designated by HUD under the Taxpayer Relief Act of 1997 for economic development activities consistent with the strategic plan of each empowerment zone;

(3) \$20,000,000 for ``State and tribal assistance grants'' for wastewater infrastructure needs in Boston, Massachusetts. This additional funding brings the fiscal year 1999 appropriation for Boston's wastewater infrastructure project to \$50,000,000;

(4) \$10,000,000 for AmeriCorps grants. This amount is an increase above the earmarking of not more than \$227,000,000 for such grants provided in the Fiscal year 1999 Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act;

(5) \$10,000,000 for ``Science and technology'' to conduct additional research pursuant to the Climate Change Technology Initiative. For fiscal year 1999, \$37,000,000 has been provided for such research in this account;

(6) \$15,000,000 for the ``Community development financial institutions fund program account'', bringing the total fiscal year 1999 funding level to \$95,000,000; and

(7) \$5,000,000 of the community development block grant funds provided in the 1999 appropriations shall be for a grant to Cayuga County, New York, to repair and rehabilitate the seawalls at the Owasco Lake outlet.

The conference agreement inserts a new general provision repealing Sec. 202 regarding GSE Default Loss Protection in the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999.

The conference agreement inserts a new general provision making a technical correction to targeting language in the Quality Housing and Work Responsibility Act of 1998.

The conference agreement inserts a new general provision clarifying the use of funds provided to Oklahoma City, Oklahoma through the Community Development Block Grants program in the fiscal year 1999 appropriations Act.

The conference agreement inserts a new general provision making technical modifications to a 1999 economic development initiative grant for Hawaii.

The conference agreement inserts a new general provision

making technical modifications to the reappointment authority of the VA's Under Secretary for Health.

The conference agreement includes new language establishing a Trade Deficit Review Commission to study the nature, causes and consequences of the United State merchandise trade and current account deficits and report its findings to the President and the Congress. The conference agreement also includes language under this section appropriating \$2,000,000 for the expenses of this Commission. Neither the **House** nor Senate bills addressed this matter.

Sec. 130. The conference agreement includes a new section as proposed by the Administration that directs the Secretary of the Treasury to invest, or direct the Trustee to invest, the assets of the District of Columbia Pension Fund for Police Officers, Fire Fighters, and Teachers, in public debt securities not later than September 30, 1999. The intended results of this action, according to the Administration, is to increase Federal receipts by an estimated \$2.414 billion in fiscal year 1999 and reduce receipts in subsequent years.

Sec. 131. The conference agreement appropriates \$25,000,000 as proposed by the Administration for economic development planning, project development, capital investments, loans, grants, administrative expenses and other purposes included in authorizing legislation enacted by the Council of the District of Columbia. The conference agreement directs that none of these funds be obligated or expended until at least 30 days after the District of Columbia Financial Responsibility and Management Assistance Authority submits a spending plan to Congress.

Sec. 132. The conference agreement appropriates \$30,000,000 as proposed by the Administration for special education costs in the District of Columbia.

Sec. 133. The conference agreement appropriates \$20,000,000 as proposed by the Administration for Year 2000 information technology and related chip replacement projects in the District of Columbia. The conference agreement directs that none of these funds be obligated or expended until at least 30 days after the District of Columbia Financial Responsibility and Management Assistance Authority submits a spending plan to Congress.

Sec. 134. The conference agreement appropriates \$50,000,000

as proposed by the Administration for the repair and maintenance of roads, highways, bridges and transit in the District of Columbia and other economic development projects and planning in the District of Columbia. The conference agreement directs that none of these funds be obligated or expended until at least 30 days after the District of Columbia Financial Responsibility and Management Assistance Authority submits a spending plan to Congress.

DIVISION B--EMERGENCY SUPPLEMENTAL APPROPRIATIONS

TITLE I--MILITARY READINESS AND OVERSEAS CONTINGENCY OPERATIONS

CHAPTER 1

Department of Defense--Military

Chapter 1 of this title includes a total of \$5,958,053,000 in emergency supplemental appropriations for the Department of Defense.

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The conference agreement includes: \$1,301,000,000 for urgent personnel and readiness requirements of the armed forces; \$1,858,600,000, the amount requested by the President for overseas contingency operations; and \$259,853,000 for costs resulting from damage incurred at U.S. military installations in the United States and South Korea due to natural disasters (chapter 3 of this title includes related military construction funding). Additional funding is provided in this chapter for Ballistic Missile Defense enhancements, defense counter-drug and drug interdiction activities, and certain classified activities.

The following table provides details of the emergency supplemental appropriations in this chapter for military readiness, overseas contingency operations, and damages resulting from natural disasters.

SUPPLEMENTAL APPROPRIATIONS, DEPARTMENT OF

DEFENSE

[In thousands of dollars]

Readiness Contingency Facilities
enhancements operations repair

Military Personnel:

Army.....		
10,000	310,600	0
Navy.....		
33,300	9,275	0
Marine Corps.....		
8,900	2,748	232
Air Force.....		
0	17,000	0
Army Reserve.....		
0	0	343
Navy Reserve.....		
10,000	2,295	100

Total, Military Personnel.....		
62,200	341,918	675

=====
Operation and Maintenance:

Army.....		
314,500	0	139,056
Navy.....		
232,600	0	57,179
Marine Corps.....		
52,400	0	8,470
Air Force.....		
303,000	0	34,254
Army Reserve.....		
3,000	0	853
Navy Reserve.....		
0	0	5,058
Marine Corps Reserve.....		
3,300	0	0
Air Force Reserve.....		
9,000	0	0
Army National Guard.....		

50,000	0	5,750
Air National Guard.....		
21,000	0	4,355
Overseas Contingency Operations Transfer Fund.....		
0	1,516,682	0
Morale, Welfare and Recreation and Personnel Support.....		
50,000	0	0

Total, Operation and Maintenance.....		
1,038,800	1,516,682	254,975

=====

Other Department of Defense Programs:

Navy Working Capital Fund.....		
0	0	2,083
Defense Health Program.....		
200,000	0	2,120

Total, Other Department of Defense Programs.....		
200,000	0	4,203

=====

Grand Total.....		
1,301,000	1,858,600	259,853

Readiness Enhancements

The conference agreement includes a total of \$1,301,000,000 to enhance personnel- and readiness-related programs supporting the armed forces, in the following categories:

Personnel Recruiting and Retention Initiatives:

Military Personnel, Army.....	\$10,000,000
Military Personnel, Navy.....	23,300,000
Military Personnel, Marine Corps.....	8,900,000
Operation and Maintenance, Navy.....	38,600,000
Operation and Maintenance, Marine Corps.....	13,500,000
Operation and Maintenance, Air Force.....	10,000,000
Operation and Maintenance, Army Reserve.....	3,000,000
Operation and Maintenance, Air Force Reserve.....	3,000,000

Operation and Maintenance, Air National Guard.....3,000,000

Subtotal.....113,300,000

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PPERSTEMPO Relief Initiatives:

Military Personnel, Navy.....10,000,000

Reserve Personnel, Navy.....10,000,000

Operation and Maintenance, Marine Corps.....5,500,000

Subtotal.....25,500,000

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MWR and Personnel Support.....50,000,000

Flying Hours/Spare Parts:

Operation and Maintenance, Navy.....45,000,000

Operation and Maintenance, Air Force.....170,000,000

Operation and Maintenance, Air Force Reserve.....6,000,000

Operation and Maintenance, Air National Guard.....18,000,000

Subtotal.....239,000,000

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Depot Maintenance

Operation and Maintenance, Army.....30,000,000

Operation and Maintenance, Navy (Aviation).....75,000,000

Operation and Maintenance, Navy (Ships).....74,000,000

Operation and Maintenance, Air Force.....123,000,000

Subtotal.....302,000,000

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Operating Forces Support:

Operation and Maintenance, Army.....284,500,000

Operation and Maintenance, Marine Corps.....12,700,000

Operation and Maintenance, Army National Guard.....50,000,000

Subtotal.....347,200,000
=====

Individual Combat Equipment:

Operation and Maintenance, Marine Corps.....20,700,000
Operation and Maintenance, Marine Corps Reserve.....3,300,000

Subtotal.....24,000,000
=====

Defense Health Program.....200,000,000

overseas contingency operations

The conference agreement includes \$1,858,600,000, the amount requested by the President, for the costs of ongoing overseas contingency operations.

facilities repair

The conference agreement includes a total of \$259,853,000 to conduct repairs to U.S. military facilities both within the United States and overseas due to storm damage and other natural disasters. This funding is distributed as follows;

Korea Flooding:

Operation and Maintenance, Army.....\$134,056,000
Operation and Maintenance, Air Force.....1,700,000

Subtotal.....135,756,000
=====

Hurricane Bonnie:

Operation and Maintenance, Navy.....7,300,000
Operation and Maintenance, Marine Corps.....8,200,000
Operation and Maintenance, Navy Reserve.....408,000

Navy Working Capital Fund.....1,758,000

Subtotal.....17,666,000

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Hurricane Earl:

Operation and Maintenance, Army.....2,184,000

Operation and Maintenance, Navy.....100,000

Subtotal.....2,284,000

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Hurricane Georges:

Military Personnel, Marine Corps.....232,000

Reserve Personnel, Army.....343,000

Reserve Personnel, Navy.....100,000

Operation and Maintenance, Army.....2,816,000

Operation and Maintenance, Navy.....49,779,000

Operation and Maintenance, Marine Corps.....270,000

Operation and Maintenance, Air Force.....32,554,000

Operation and Maintenance, Army Reserve.....853,000

Operation and Maintenance, Navy Reserve.....4,650,000

Operation and Maintenance, Army National Guard.....5,750,000

Operation and Maintenance, Air National Guard.....4,355,000

Navy Working Capital Fund.....325,000

Defense Health Program.....2,120,000

Subtotal.....\$104,147,000

classified programs

Adjustments to classified programs are addressed in a
classified annex accompanying this conference agreement.

defense health program

The conference agreement includes \$200,000,000 in emergency supplemental appropriations for the Defense Health Program, to address funding shortfalls and other requirements which have emerged since submissions of the fiscal year 1999 budget request. These funds shall be used, as required, to address the operation and maintenance program level adjustments directed in the conference report accompanying the Department of Defense Appropriations Act, 1999; new mission requirements, including implementation of automated clinical guidelines and outcome management; and backlogs in real property maintenance.

drug interdiction and counter-drug activities, defense

The conference agreement includes \$42,000,000 in emergency supplemental appropriations for the following high-priority requirements:

National Guard General Support.....	\$20,000,000
Observation/Spray Aircraft.....	8,000,000
Caribbean/Eastern Pacific Surface Interdiction.....	8,000,000
Operation CAPER FOCUS.....	6,000,000

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General Provisions--This Chapter

Division B, Title I of the conference agreement includes section 101, which provides authorization for intelligence activities in this Act.

The conference agreement includes section 102, which provides \$1,000,000,000 in emergency supplemental appropriations for Ballistic Missile Defense program enhancements.

Recent launches of longer range and increased payload rockets by Iran and North Korea have highlighted the growing threat posed by ballistic missiles. Despite significant investment and strong congressional support, this nation has achieved only limited improvements in its ability to defeat theater ballistic missiles since facing this threat during

Operation Desert Storm. Further, as highlighted by the recent report of the commission to Assess the Ballistic Missile Threat to the United States, more and more nations have within the grasp access to intercontinental ballistic missiles (ICBM) and ICBM technology. The United States must respond now. To enable this response, the conference agreement includes an emergency supplemental appropriation of \$1,000,000,000 for ballistic missile defense program enhancements.

The funds are for the sole purpose of enhancing our ability to confidently and expeditiously develop and deliver ballistic missile defense capability, and shall be available only for allocation by the Secretary of Defense. The Secretary shall use these funds only to accelerate development and enhance testing of theater and national ballistic missile defense programs, and shall also give consideration to allocating these funds to program and infrastructure activities which accelerate this nation's efforts to field theater and national ballistic missile defense capability. The Secretary of Defense shall provide written notification to the congressional defense committees 30 days before allocating any of the available funds to a specific ballistic missile defense program.

The conference agreement includes section 103, which provides \$259,853,000 in emergency supplemental appropriations only emergency expenses incurred at U.S. military facilities or installations as a result damage or other natural disasters.

The conference agreement includes section 104, which provides \$2,000,000 in supplemental appropriations only for the construction of additional ``Fisher Houses'', which are used by military families for temporary lodging when confronted with the illness or hospitalization of service members or their dependents.

The conference agreement includes section 105, which amends section 8136 of the Department of Defense Appropriations Act, 1999.

CHAPTER 2

DEPARTMENT OF ENERGY

Atomic Energy Defense Activities

Other Defense Activities

The conference agreement includes \$200,000,000 for expenditures in the Russian Federation to implement a United States/Russian accord for the disposition of excess weapons plutonium. None of these funds may be obligated until the Department of Energy submits a detailed budget justification to Congress, and the **House** and Senate Committees on Appropriations have approved the proposal.

The conference agreement includes \$325,000,000 for the purchase of natural uranium associated with the 1997 and 1998 deliveries under the United States-Russian Highly Enriched Uranium (HEU) Purchase Agreement.

CHAPTER 3

DEPARTMENT OF DEFENSE--MILITARY CONSTRUCTION

The conference agreement provides a total of \$209,492,000, of which \$118,000,000 is designated as an emergency, as requested, for damage related to monsoons in the Republic of Korea, and \$91,492,000 is provided as a contingency for storm related damage. Authorization for these projects, including planning and design, is provided in 10 U.S.C. 2854 and 10 U.S.C. 2803.

Military Construction, Army

The bill includes \$118,000,000, as requested, for planning and design and to replace facilities destroyed by monsoons in the Republic of Korea during August of 1998, as follows:

Location/Facility	Cost
Camp Casey:	
Whole Barracks Complex Renewal.....	\$29,000,000
Bachelor Officer Quarters.....	6,500,000
Warehouses.....	7,700,000

Administrative Facility.....	10,600,000
Vehicle Maintenance Shop.....	7,500,000
	<hr/>
Subtotal, Camp Casey.....	61,300,000
Camp Hovey:	
Whole Barracks Complex Renewal.....	20,000,000
Bachelor Officer Quarters.....	6,400,000
	<hr/>
Subtotal, Camp Hovey.....	26,400,000
Camp Red Cloud:	
Consolidated Administrative Facility.....	6,900,000
Bachelor Officer Quarters.....	12,400,000
	<hr/>
Subtotal, Camp Red Cloud.....	19,300,000
Camp Howze:	
Community Service Center.....	1,750,000
Company Operations Building.....	2,650,000
	<hr/>
Subtotal, Camp Howze.....	4,400,000
Planning and Design.....	6,600,000
	=====
Grand Total.....	118,000,000

In a number of instances, these construction projects include consolidation of activities that were previously conducted in a number of facilities that have been destroyed. All projects, for which funds are appropriated, including such consolidations and planning and design, are authorized by 10 U.S.C. 2854. Language is also included, as requested, authorizing the Secretary of the Army to acquire property and carry out a military construction project at Camp Casey, Korea in the amount of \$12,016,000.

Military Construction, Navy

The conference agreement provides a total of \$5,860,000 as

a contingent emergency appropriation due to storm damage for the following projects:

Mississippi--Gulfport Naval Construction Training Center:

Consolidated equipment operator training facility.....\$860,000

Puerto Rico--Naval Station Roosevelt Roads:

CPO Club.....1,000,000

Pier replacement.....4,000,000

Military Construction, Air Force

The conference agreement provides a total of \$29,200,000, as a contingent emergency appropriation due to storm damage and for force protection which are authorized under 10 U.S.C. 2803 and 10 U.S.C. 2854 for the following project:

Mississippi--Keesler AFB:

Electrical Distribution System.....\$27,000,000

Turkey--Incirlik AB:.....

Base Main Gate Complex.....2,200,000

Military Construction, Army national Guard

The conference agreement provides \$2,500,000 as a contingent emergency appropriation due to storm damage for a bridge replacement at Camp Santiago, Puerto Rico. Authority is provided for the Army National Guard to procure targetry systems in support of military construction projects as specified in Senate Report 105-213.

Military Construction, Air National Guard

The conference agreement provides \$15,900,000 as a contingent emergency appropriation due to storm damage for the following projects:

Mississippi--Gulfport Air National Guard Base:

Replace fire station.....2,600,000

Replace hangar 69.....7,100,000

Replace dormitory.....6,200,000

Family Housing, Army

The conference agreement provides \$5,200,000 as a contingent emergency appropriation due to storm damage of family housing units and whole **house** improvements for rehabilitation of family housing units referred to in section 8142 of the Department of Defense Appropriations Act, 1999 at Ft. Buchanan, Puerto Rico.

Family Housing, Navy and Marine Corps

The conference agreement provides \$10,599,000 as a contingent emergency appropriation due to storm damage for repair and replacement of family housing units and necessary debris removal and clean-up at the following locations:

Florida--Key West Naval Air Station.....	1,547,000
Florida--Pensacola Naval Station.....	650,000
Mississippi--Gulfport Construction Battalion Center.....	2,802,000
North Carolina--Camp Lejeune.....	2,000,000
North Carolina--Cherry Point.....	500,000
Puerto Rico--Roosevelt Roads.....	3,100,000

Repairing damage caused by Hurricane Georges to one Navy general or flag officer quarters at Naval Station Roosevelt Roads, Puerto Rico may exceed the maintenance and repair threshold of \$25,000. The report required by **House** Report 105-578 may be submitted after these repairs are completed.

Family Housing, Air Force

The conference agreement provides a total of \$22,233,000 as a contingent emergency appropriation due to storm damage for repair and replacement of necessary family housing units, supporting facilities, electrical distribution, and necessary debris removal and clean-up at the following locations:

Florida--Hurlburt Field.....	113,000
Florida--Eglin AFB.....	120,000
Mississippi--Kessler AFB.....	22,000,000

General Provisions

A general provision is included which makes a technical correction to Section 2304(c)(2) of the Strom Thurmond National Defense Authorization Act for fiscal year 1999.

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CHAPTER 4

DEPARTMENT OF TRANSPORTATION

Coast Guard

In total, this chapter of the bill includes \$210,000,000 for support of the U.S. Coast Guard. Of this amount, \$72,000,000 is to maintain the Coast Guard's operational readiness, and \$138,000,000 is for the Coast Guard to play an expanded role in drug interdiction activities. The entire amount is designated as an emergency requirement and made contingent on the President's request and designation of such as an emergency.

Operating Expenses

The bill includes \$100,000,000 for additional necessary operating expenses of the Coast Guard, \$28,000,000 of which is only available for expenses related to expansion of drug interdiction activities. The balance of funding is provided to maintain the Coast Guard's operational readiness across all mission areas. The entire amount is designated as an emergency requirement and made contingent on the President's request and designation of such as an emergency.

Acquisition, Construction, and Improvements

The bill includes \$100,000,000 for additional necessary expenses for capital acquisition, construction, renovation and improvement programs of the Coast Guard. This funding is

included to expand the Coast Guard's drug interdiction capabilities. The entire amount is designated as an emergency requirement and made contingent on the President's request and designation of such as an emergency. The bill specifies that the funds are available only to purchase specific assets for increasing drug interdiction capabilities, as follows:

Program	Amount
Barracuda-class coastal patrol boats.....	\$33,000,000
Cutter sensors & communication systems.....	13,000,000
Reactivation of HU-25 jets.....	7,500,000
Operational test, use of force from aircraft.....	2,500,000
Aircraft sensors & C-130 engine upgrade.....	44,000,000
Total.....	100,000,000

Reserve Training

The bill includes \$5,000,000 for additional necessary expenses for reserve training and stipulates that the highest priority for use of these funds is enhancement of drug interdiction activities conducted by the Coast Guard reserves. The bill designates the entire amount as an emergency requirement, and restricts the Coast Guard from transferring any of these funds to the service's operating account. The funding is made contingent on the President's request and designation of such as an emergency requirement.

Research, Development, Test, and Evaluation

The bill includes \$5,000,000 for additional necessary expenses for research, development, test, and evaluation activities of the Coast Guard. The bill specifies that drug interdiction technologies and related operations research shall receive the highest priority for the use of these funds. The entire amount is designated as an emergency requirement and made contingent on the President's request and designation of such as an emergency.

TITLE II--ANTITERRORISM

CHAPTER 1

DEPARTMENT OF JUSTICE

Federal Bureau of Investigation

SALARIES AND EXPENSES

The conference agreement includes \$21,680,000, as requested, to remain available until expended as an emergency appropriation to provide additional funds for staff and equipment to increase the capacity and capability of the Federal Bureau of Investigation to respond to acts of terrorism. These funds, when combined with existing resources, will enable the FBI to establish a total of five rapid deployment teams.

DEPARTMENT OF STATE

Administration of Foreign Affairs

DIPLOMATIC AND CONSULAR PROGRAMS

The conference agreement includes \$773,700,000, to remain available until expended, as an emergency appropriation. Of this amount, \$748,000,000 is to provide funds for reconstitution of embassy activities in Nairobi, Kenya and Dar es Salaam, Tanzania, and for security improvements for overseas facilities, as requested. In addition, \$25,700,000, which is provided above the request, and release of which is contingent upon a Presidential emergency declaration, is to continue funding for antiterrorism requirements overseas initiated in the fiscal year 1997 Appropriations Act. The provision includes language permitting the Secretary of State to procure services and equipment overseas necessary to improve worldwide security and reconstitute embassy operations in Kenya and Tanzania on behalf of any other

agency. The Department is expected to consult with the relevant Committees on plans for expenditure of funds to assure that the Committees are in agreement on all planned uses of these funds. The Department is expected to report annually to the relevant Committees on the expenditure of funds made available in this emergency supplemental, to provide Congress a clear accounting of the progress in implementing this package of enhancements.

SALARIES AND EXPENSES

The conference agreement includes \$12,000,000 in emergency funding, as requested, to remain available until expended, to provide funds for security improvements and for a security review panel.

OFFICE OF INSPECTOR GENERAL

The conference agreement includes \$1,000,000 in emergency funding, as requested, to remain available until expended, to provide funds to enable the Inspector General to carry out additional security oversight and construction inspections at U.S. diplomatic posts abroad.

SECURITY AND MAINTENANCE OF UNITED STATES MISSIONS

The conference agreement includes \$627,000,000 in emergency funding, as requested, to remain available until expended. This is to provide funds for reconstruction of embassy facilities in Nairobi, Kenya and Dar es Salaam, Tanzania, for reconstitution of embassy activities in interim facilities, and for other activities that improve the security of overseas facilities of the State Department and other Federal agencies. Of the \$627,000,000, \$56,000,000 is for security projects, relocations, and security projects, relocations, and security equipment on behalf of missions of other U.S. Government agencies. In addition, \$185,000,000 of this amount is for capital improvements or relocation of office and

residential facilities to improve security, which can only be made available 15 days after notice to the Committees on Appropriations.

EMERGENCIES IN THE DIPLOMATIC AND CONSULAR SERVICE

The conference agreement includes \$10,000,000 in emergency funding, as requested, to remain available until expended, to provide funds for emergency expenditures resulting from the bombing of embassy facilities in Nairobi, Kenya and Dar es Salaam, Tanzania, including expenses related to evacuations, rewards, and the medical and other needs of employees and their families.

CHAPTER 2

DEPARTMENT OF DEFENSE

Military

operation and maintenance, defense-wide

The conference agreement includes \$358,427,000 in emergency supplemental appropriations for Operation and Maintenance, Defense-Wide for counter-terrorism programs, security enhancements, and other programs.

classified programs

Adjustments to classified programs are addressed in a classified annex accompanying this conference agreement.

domestic preparedness against weapons of mass destruction

The conference agreement includes \$50,000,000 in emergency supplemental appropriations to initiate and expand activities of the Department of Defense to prevent, prepare for, and

respond to a potential terrorist attack in the United States involving weapons of mass destruction (WMD). The National Guard, with its dual status as both a federal and state force, has great potential to enhance the nationwide WMD response capability. The Department of Defense has invested billions of dollars in WMD detection, warning, protection, and decontamination and possesses much knowledge and technology that can be transferred to civil authorities. The National Guard is the logical entity to act as a conduit between the Department of Defense and state and local civil authorities to avoid duplication of effort, and to explain the needs of civil authorities to Department of Defense planners.

The conference agreement provides funds for the following activities:

National Guard Personnel, Army:

WMD training and support.....\$4,000,000

National Guard Personnel, Air Force:

WMD training and support.....1,000,000

O&M, Army National Guard:

Consequence management.....20,000,000

O&M, Army:

Consequence management.....2,000,000

Procurement, Defense-Wide:

Consequence management.....8,000,000

RDT&E, Army:

Consequence management.....15,000,000

The expanded training initiatives developed with research, development, test and evaluation funds are to be fully coordinated and integrated with efforts being planned by other agencies under the new federal framework that has been developed. The Department of Defense training program shall be focused on: (a) transferring military knowledge, expertise, and technology regarding the detection, warning, protection, and decontamination of weapons of mass destruction to appropriate federal, state and local personnel; and (b) promoting the interoperability between designated WMD emergency response units of the National Guard and counterpart federal, state, and local first responder

units. Emphasis will be given to developing a comprehensive and sustainable training curriculum to include operational training and refresher courses as well as basic classroom coursework. Implementation of this training program shall use existing infrastructure to the fullest possible extent with emphasis on the use of distributive training technology (e.g., RCAS, Warrior Network, and the collaborative virtual workspace initiative) at National Guard and Reserve Component armories, air bases, schools, and other appropriate facilities.

In addition to the activities identified in **House** Report 105-591, funds are to be used to

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provide assistance to civil authorities in conducting detailed equipment needs assessments and procuring or loaning basis and essential equipment to those communities; procure equipment for RAID Elements to include mobile analytical laboratory systems, unified communications suites and other essential operational and communications/computer equipment; establish and equip small organizations in each of the 44 states not receiving an initial RAID Element in 1999 to provide limited chemical/biological response capabilities; develop joint doctrine and training plans; and test/evaluate the new system through a comprehensive joint exercise program.

General Provisions--This Chapter

Division B, Title II of the conference agreement includes section 201, as proposed in the supplemental budget request, which amends Section 374 of title 10, United States Code, in order to foster better coordination between the Department of Defense and other Federal agencies with regard to counter-terrorism activities.

The conference agreement includes section 202, which provides \$50,000,000 in emergency supplemental appropriations for Domestic Preparedness programs of the Department of Defense against Weapons of Mass Destruction.

The conference agreement includes section 203, which

provides \$120,500,000 in emergency supplemental appropriations for the provision of crisis response aviation support.

CHAPTER 3

FUNDS APPROPRIATED TO THE PRESIDENT

International Security Assistance

economic support fund

(including transfers of funds)

The conference agreement appropriates \$50,000,000 for an additional amount for ``Economic Support Fund'' for assistance for Kenya and Tanzania, to remain available until September 30, 2000. These funds are designated an emergency requirement under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, pursuant to the President's request.

In addition, the conference agreement provides for the transfers of \$2,500,000 to ``Operating Expenses of the Agency for International Development'' and \$1,269,000 to ``Peace Corps'' for security and related expenses, and funds are authorized to be made available for administrative costs associated with assistance provided under this heading. Funds appropriated under this heading are subject to the regular notification procedures of the Committee on Appropriations.

nonproliferation, anti-terrorism, demining and related programs

The conference agreement appropriates \$20,000,000 for an additional amount for ``Nonproliferation, Anti-Terrorism, Demining and Related Programs'' for anti-terrorism assistance. These funds are designated an emergency requirement under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, pursuant to the President's request.

CHAPTER 4

DEPARTMENT OF THE INTERIOR

National Park Service

Operation of the National Park system

An additional \$2,320,000 is provided for operation of the national park system to address emergency, security-related expenses. This amount is designated by the Congress as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Construction

An additional \$3,680,0000 is provided for construction to address emergency, security-related expenses. This amount is designated by the Congress as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

CHAPTER 5

ARCHITECT OF THE CAPITOL

Capitol Visitor Center

The conference agreement provides \$100,000,000 to the Architect of the Capitol for planning, engineering, design, and construction of a Capitol visitor center, a facility that will provide greater security for all persons working in or visiting the United States Capitol and a more convenient place in which to learn of the work of the Congress. Each of the above-named milestones will require the approval of the appropriate authorizing and appropriations committees as the project progresses. The language of the bill also provides that appropriated funds for this purpose be supplemented by

private funds. In this way, all citizens may share in both the services that will be provided by a visitor center as well as an opportunity to help defray the costs of construction.

The Architect of the Capitol completed an earlier design of a proposed center in 1995. The planning that supported that design needs a thorough review and a more current endorsement from the committees of jurisdiction. The Capitol Preservation Commission is considering a proposal to have the General Accounting Office undertake an analysis of all ancillary costs and operational impacts of a visitor center. It is appropriate that this study go forward during the planning phase and be incorporated into the analysis that underpins the revised plan.

The funding for the visitor center will remain available until expended and the language provides that section 3709 of the revised statutes shall not apply to these expenditures. The latter provision is standard on such projects and allows negotiated bidding as well as a competitive process. The Architect of the Capitol is directed not to expend any funds for this project without an obligation plan approved by the **House** and Senate Committees on Appropriations which shall specify the purpose and amount of anticipated obligations. The authorizing committees will oversee these activities in the normal manner.

JOINT ITEMS

CAPITOL POLICE BOARD

Security Enhancements

The conference agreement provides \$106,782,000 to the Capitol Police Board for security enhancements to the United States Capitol complex and the Library of Congress buildings and grounds. These funds will remain available until expended. Language has also been included to allow the transfer of funds to either the Architect of the Capitol or the Library of Congress, based upon plans approved by the Committee on **House** Oversight of the **House** of Representatives, the Committee on Rules and Administration of the Senate, and

the **House** and Senate Committees on Appropriations. The Capitol Police Board, Architect of the Capitol, and the Library of Congress are directed not to expend any funds for these security enhancements without an obligation plan approved by the **House** and Senate Committees on Appropriations which shall specify the purpose and amount of anticipated obligations. The authorizing committees will oversee these activities in the normal manner.

The Capitol Police Board is directed to secure approval of any plans necessary to carry out these security enhancements from the above-named committees. In carrying out this task, the police board will be expected to consult with the Architect of the Capitol and the Library of Congress. Those agencies, in turn, are directed to make all such requests through the police board for resource allocations from the funds available. The Committees on Appropriations will not approve obligations or transfers of funds until the authorizing and appropriations committees of the respective body have approved the appropriate plans.

Due to the recent tragic shootings at the Capitol, together with other threats identified by Congressional security experts, the Capitol police have undertaken a broad review of the existing security program and needs for improvement or updating. This review, aided by other Federal security agencies and private consultants, has developed a number of proposals. Several hearings and discussions with the leadership and the committees of jurisdiction have resulted in a priority list that are included within this conference agreement.

The conference agreement provides funding for the following:

Capitol, **House** and Senate office buildings:

- | | |
|-------------------------------------|-------------|
| 1. Command center equipment..... | \$2,265,000 |
| 2. Intrusion detection systems..... | 11,852,000 |
| 3. Closed circuit television..... | 8,656,000 |
| 4. Communications..... | 2,789,000 |
| 5. Screening equipment..... | 12,458,000 |
| 6. Access control..... | 4,456,000 |
| 7. Training..... | 1,250,000 |
| 8. Officer--issued equipment..... | 9,778,000 |

9. Operational capabilities.....	2,640,000
10. Physical upgrades.....	2,417,000
11. Personnel and overtime increase.....	25,260,000
12. Capital improvements.....	3,586,000

Subtotal, Capitol, House and Senate office buildings.....	87,407,000
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Library of Congress:

13. Consolidate command centers.....	\$2,500,000
14. Intrusion detection systems.....	2,500,000
15. Closed circuit television.....	210,000
16. Screening equipment.....	391,000
17. Access control.....	4,950,000
18. Training.....	55,000
19. Officer equipment.....	63,000
20. Physical upgrades.....	3,864,000
21. Studies and analyses.....	200,000
22. LC police staffing increase.....	2,242,000

Subtotal, Library of Congress.....	16,975,000
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24. Contingency.....	\$ 2,400,000
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Total, Capitol, **House** and Senate office buildings, and Library of Congress.....\$106,782,000

For capital improvements, certain funds have been provided for further analysis of the need for training and off-site delivery facilities (including the Library of Congress). As the police master plan funded in the FY1999 Legislative Branch Appropriations Act is being conducted, the police board is directed to review and study alternatives for

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such facilities. If it is determined that new construction is needed, the police board is instructed to seek authority from the appropriate authorizing committees before making any

further funding requests in the appropriations process. The appropriate authorization committees are identified in the **House** and Senate rules and, if there is any question, the police board should refer to those official authorities.

A contingency has been provided for items such as a mobile command center, decontamination trailers, studies, and a strategic plan. All of these are subject to further justification and approval as is the entire funding program.

For the Capitol police, funds are provided for additional police staffing sufficient for 260 sworn officers, operational and administrative personnel over a two-year period, assuming a steady recruitment ramp up pattern. This will allow the Capitol police to schedule approximately twice the ordinary number of attendees at the Federal Law Enforcement Training Center. The police board has assured the committees that FLETC is capable of handling this increase. The administrative personnel are provided for the added infrastructure support that will be necessary. In addition to salary funds, \$12,000,000 is provided for overtime over the two-year period that will augment the amounts in the base budgets for both years that are customarily provided for overtime. The police are directed to maintain the current high standards for recruitment and deployment of the additional personnel.

For the Library of Congress, two-year funding is provided for 46 additional police and 5 support personnel, assuming a steady ramp up pattern. An additional \$525,000 is provided for overtime expenses.

It should be noted that these are not hard and fast allocations. As estimates become more precise, further analysis may reveal the necessity to adjust these allocations. In particular, the amounts provided for the Library of Congress items may undergo change due to the transfer of design, installation, and maintenance of LOC physical security systems from the Architect of the Capitol to the Capitol Police Board. The police board and the other agencies, therefore, may have to request changes in these amounts as they present the specific plans for subsequent approval as required by the appropriating legislation. The amounts are identified herein because they are based on the amounts presented to the committees in the justifications

given by the police board and the other agencies, as adjusted in the priority list.

General Provision, This Chapter

The conference agreement transfers the responsibility for the design, installation and maintenance of physical security systems for the Library of Congress buildings and grounds from the Architect of the Capitol to the Capitol Police Board. This transfer of responsibility is in keeping with recent efforts to establish a reasoned and uniform approach to security within the Capitol complex. The Capitol Police Board is directed to apply the appropriate standards of security to Library of Congress buildings and grounds.

CHAPTER 6

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

facilities and equipment

(Airport and Airway Trust fund)

The bill includes \$100,000,000 for necessary expenses for acquisition, installation, and related activities supporting the deployment of bulk and trace explosive detection systems and other advanced security equipment at U.S. airports. The Senate received correspondence from the Vice President on September 15, 1998 which stated: ``The terrorist attacks against our embassies in Kenya and Tanzania remind us of the global nature of terrorism. . .These events provide strong evidence of the need to recognize aviation security as a national security issue and to provide substantial federal funds for aviation security improvements as a major element of our overall national security counterintelligence policy''. Consistent with this view, the bill includes \$100,000,000 for advanced airport security systems. The entire amount is designated as an emergency requirement. The

conference agreement distributes funds as follows:

Activity	Amount
Acquisition of additional bulk or trace EDS systems.....	\$50,000,000
TIP-ready, operator-assist x-ray units.....	24,600,000
Integration costs--EDS systems.....	20,000,000
Trace detection document scanners.....	3,400,000
Trace detection passenger portals.....	\$2,000,000
Total.....	100,000,000

Compared to original budget estimates, this bill provides more funding for system integration costs based on information that lack of such funding has contributed to the delay in commissioning the security equipment which has been procured thus far. The FAA, airlines, and airport officials all acknowledge that integrating these systems into airline and airport operating systems has been a greater than anticipated challenge. Furthermore, since the certification of second generation bulk EDS systems has been delayed, the conference agreement reallocates some funding to other items which will have a stronger impact on security in the near-term. It is hoped that one or more second generation systems will meet the certification standards over the coming year, and that viable competition in this program can be developed.

CHAPTER 7

DEPARTMENT OF THE TREASURY

Federal Law Enforcement Training Center

salaries and expenses

The conferees agree to provide \$3,548,000, instead of \$4,043,000, as requested by the President. This reflects the actual costs of additional instructors at the Center, as well as training, meals, lodging, and related operational costs associated with basic training for Secret Service and State Department students being hired to respond to threats of

domestic and foreign terrorism.

United States Secret Service

salaries and expenses

The conferees agree to provide \$80,808,000, instead of \$86,317,000, as requested by the President. The difference between the requested and funded levels is equal to the amount that the President made available for obligation from the Treasury Counter-Terrorism Fund subsequent to the original request. This funding is to cover costs of additional personnel required to increase the number of protective details for Secret Service protectees, enhanced protective capabilities, and protective operations, equipment and services. The conferees remind the Director of the United States Secret Service that funding for vehicle acquisition will not be available for obligation until the Secretary of the Treasury determines that such acquisitions are consistent with Departmental vehicle management policy.

TITLE III

Year 2000 Conversion of Federal Information Technology Systems

funds appropriated to the president

The conferees have provided \$2,250,000 for emergency expenses related to Year 2000 conversion of Federal information technology systems for all federal Departments and agencies except the Department of Defense. Of these funds, the conferees agree to provide \$16,873,000 for Legislative Branch Year 2000 conversion efforts and \$13,044,000 for the conversion of Judicial Branch information technology and security systems. Additional funds for the Department of Defense are provided elsewhere in this Title.

The conference agreement transfers \$16,873,000 to the Legislative branch of the funds appropriated to the President for expenses related to Year 2000 conversion of Federal

information technology systems. Of this amount, \$5,500,000 is provided to the Senate Sergeant at Arms for Senate computer systems. As requested by the Senate, the Senate Sergeant at Arms is directed to secure approval from the Senate Committees on Appropriations and Rules and Administration. For the **House** of Representatives, \$6,373,000 is provided to the Chief Administrative Officer of the **House** for activities necessary to complete the year 2000 conversion of systems maintained for the **House**. The CAO is directed to obtain approval of the plan for carrying out these activities from the Committee on **House** Oversight. In addition, \$5,000,000 is transferred to the General Accounting Office to be available to emergency Year 2000 conversion efforts in other agencies of the Legislative branch. Before making any request for an allocation of these funds, the legislative agency should inform the appropriate oversight committees.

Department of Defense--Military

information technology systems and security

The conference agreement includes \$1,100,000,000 in emergency supplemental appropriations for the Department of Defense, for expenses relating to year 2000 conversion of information technology and national security systems, for information technology and infrastructure protection to include computer security/information assurance programs, and for related expenses.

TITLE IV--OTHER EMERGENCIES

CHAPTER 1

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

operations, research, and facilities

The conference agreement includes \$5,000,000 for disaster assistance for persons or entities in the Northeast multispecies fishery who have incurred losses from a commercial fishing failure under section 308(b) of the Interjurisdictional Fisheries Act of 1986. Language is included making the entire amount contingent upon the President submitting a budget request designating the entire amount as an emergency requirement.

RELATED AGENCY

Small Business Administration

disaster loans program account

In addition to amounts provided elsewhere in this Act, the conference agreement provides an additional \$71,000,000 in emergency fiscal year 1999 subsidy appropriations for disaster loans for recovery efforts related to Hurricane Georges and other natural disasters.

In addition to amounts provided elsewhere in this Act, the conference agreement includes an additional \$30,000,000 in emergency fiscal year 1999 appropriations for administrative expenses necessary to carry out the

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disaster loan program for Hurricane Georges and other natural disasters.

Language is included designating these amounts as an emergency requirement, and making these amounts available only to the extent that an official budget request is submitted requesting that these specific amounts be designated as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

CHAPTER 2

DEPARTMENT OF DEFENSE--CIVIL

Department of the Army

Corps of Engineers--Civil

flood control, mississippi river and tributaries, arkansas, illinois, kentucky, louisiana, mississippi, missouri, and tennessee

The conference agreement includes \$2,500,000 for emergency repair and dredging requirements associated with Hurricane Georges and other storms.

operation and maintenance, general

The conference agreement includes \$99,700,000 for emergency repair and dredging requirements associated with Hurricane Georges and other storms.

CHAPTER 3

FUNDS APPROPRIATED TO THE PRESIDENT

Agency for International Development

Child Survival and Disease Program Fund

The conference agreement includes a supplemental appropriation of \$50,000,000 for ``Child Survival and Disease Program Fund'', to remain available until expended. The entire amount is available only to the extent an official budget request for a specific dollar amount that includes designation of the entire amount of the request as an emergency requirement under the Budget Act is transmitted by the President to the Congress. The entire amount is designated by the Congress as an emergency.

The conferees intend that most of these funds be used for child survival activities. The conferees further expect AID to use some of these additional funds for activities to address the needs of children affected by the global AIDS

epidemic.

Other Bilateral Economic Assistance

assistance for the new independent states of the former soviet union

The conference agreement includes a supplemental appropriation of \$46,000,000 for ``Assistance for the New Independent States of the Former Soviet Union'', to remain available until September 30, 2000. The entire amount is available only to the extent an official budget request for a specific dollar amount that includes designation of the entire amount of the request as an emergency requirement under the Budget Act is transmitted by the President to the Congress. The entire amount is designated by the Congress as an emergency.

CHAPTER 4

DEPARTMENT OF THE INTERIOR

United States Fish and Wildlife Service

Construction

An additional \$25,000,000 in emergency appropriations is provided for construction to repair damage due to hurricanes, floods and other acts of nature. This amount is contingent upon receipt of a budget request that includes a Presidential designation of the amount requested as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

National Park Service

Construction

An additional \$10,000,000 is provided for construction to

repair damage due to hurricanes, floods and other acts of nature. This amount is contingent upon receipt of a budget request that includes a Presidential designation of the amount requested as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

United States Geological Survey

Surveys, Investigations, and Research

An additional \$1,000,000 is provided for surveys, investigations, and research to repair damage due to hurricanes, floods and other acts of nature. This amount is contingent upon receipt of a budget request that includes a Presidential designation of the amount requested as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

CHAPTER 5

DEPARTMENT OF LABOR

Employment and Training Administration

Training and Employment Services

The conference agreement includes \$7,000,000 as recently requested by the President for the migrant and seasonal farmworker program under the Job Training Partnership Act. These funds will be used to provide supportive services to migrant and seasonal farmworkers experiencing a loss of income because of crop failures related to drought and other weather-related difficulties in the South and Southwest. This would include temporary shelter, meals, health care, transportation and other emergency assistance as authorized by the Act.

CHAPTER 6

DEPARTMENT OF TRANSPORTATION

Coast Guard

Acquisition, Construction, and Improvements

The bill includes an appropriation of \$12,600,000 to address the damage to Coast Guard facilities in Alabama, Florida, Louisiana, and Puerto Rico arising from Hurricane Georges. These funds remain available until expended, are designated as an emergency requirement by the Congress, and are available only after submission by the President of an official budget request for a specific dollar amount, that includes designation of the entire amount of the request as an emergency requirement.

CHAPTER 7

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development block Grants

The agreement provides \$250,000,000 for disaster relief, long-term recovery, and mitigation in communities affected by Presidentially-declared natural disasters designated during fiscal years 1998 and 1999. The amount provided is available only to the extent that an official budget request for a specific amount, which includes designation of the entire amount of the request as an emergency, is transmitted by the President to the Congress.

Concerns remain about use of the CDBG program for disaster relief. The program was not designed for that purpose and the authorizing statute provides no clear guidance regarding the role of CDBG grants in assisting with disaster relief and recovery. Given these concerns, the conference agreement directs HUD, prior to allocating funds, to provide an explanation of the purpose for which funds are requested and how the activity or program was impacted by the disaster.

Federal Emergency Management Agency

Disaster Relief

The conference agreement includes an additional \$906,000,000 for disaster relief costs associated with Hurricane Georges and other natural disasters. The amount provided is available only to the extent that an official budget request for a specific amount, which includes designation of the entire amount of the request as an emergency, is transmitted by the President to the Congress.

FEMA is directed, in carrying out disaster relief activities, to work with the Secretary of Housing and Urban Development to give particular attention to assessing and meeting the needs of Puerto Rico and the United States Virgin Islands following Hurricane Georges. All necessary steps should be taken to help the territories recover from the hurricane and restore their economies.

In addition, FEMA is directed to take all appropriate steps to help the cities of Del Rio and Laredo, Texas recover from damages sustained by tropical storm Charlie in August, 1998. It is noted that FEMA has the discretion under law to adjust the cost share for components of disaster assistance. Given the extreme economic devastation of tropical storm Charlie, FEMA is urged to exercise its discretion in this area.

Additionally, FEMA is requested to review the emergency needs of Kelso, Washington, resulting from the landslide at that location.

Finally FEMA is directed to accept the Notice of Interest from Santa Marta Hospital in East Los Angeles and to review the damages to determine eligibility for disaster assistance.

TITLE V--COUNTER-DRUG ACTIVITIES AND INTERDICTION

CHAPTER 1

DEPARTMENT OF AGRICULTURE

Agriculture Research Service

The conference agreement provides an additional \$23,000,000

for the Agriculture Research Service for counterdrug research and development activities. The conference provides that these funds be used as follows:

Narcotic crop eradication technologies.....	\$5,000,000
Narcotic plant identification and biotechnology.....	2,000,000
Worldwide narcotic crop identification.....	1,000,000
Alternate crop research and development.....	5,000,000
Herbicide product research and development.....	10,000,000

CHAPTER 2

Drug Enforcement Administration

salaries and expenses

In addition to amounts provided elsewhere in this Act for the Drug Enforcement Administration, the conference agreement provides an additional \$10,200,000 in emergency fiscal year 1999 funding as follows: \$1,000,000 for additional surveillance and electronic intercept equipment in source countries and transit zones; \$1,000,000 for continued development and implementation of automation systems to support intelligence and investigative requirements; and \$8,200,000 to complete the implementation of the MERLIN and FIREBIRD systems for all offices in Mexico, the Caribbean, Central and South America.

Language is included designating these amounts as an emergency requirement, and making these amounts available only to the extent that an official budget request is submitted requesting these specific amounts to be designated as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Immigration and naturalization Service

salaries and expenses

enforcement and border affairs

In addition to amounts provided elsewhere in this Act for the Immigration and Naturalization Service, the conference agreement

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provides for an additional \$10,000,000 for Integrated Surveillance Information Systems, including sensors, motion detectors, remote video surveillance cameras, and infrared optics.

Language is included designating this amount as an emergency requirement, and making this amount available only to the extent that an official budget request is submitted requesting this amount to be designated as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

CHAPTER 3

DEPARTMENT OF STATE

International Narcotics Control and Law Enforcement

The conference agreement appropriates \$232,600,000 for ``International Narcotics Control and Law Enforcement''. These funds are available contingent on designation by the President of the entire amount as an emergency under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The Congress designates these funds as an emergency under said Act. In addition, the obligation of these funds is subject to the regular notification procedures of the Committees on Appropriations.

The funds should be made available for the following purposes:

Alternative economic development for Colombia, Peru, and Bolivia	\$10,000,000
Procurement and upgrade of UH-1H/1N helicopters for Colombian National Police (CNP)	40,000,000
Procurement of 6 UH-60 helicopters for CNP	96,000,000
Operations and support for CNP air wing	6,000,000

Procurement of DC-3 transport for CNP air wing.....	2,000,000
Procurement of minigun system for CNP air wing.....	6,000,000
Reconstruction of Miraflores counternarcotics base.....	2,000,000
Base and force security for forward CNP counterdrug Bases.....	6,000,000
Enhancements to CNP prison security systems.....	1,200,000
Support of Bolivian air, riverine and eradication Operations..	9,000,000
Support of Peruvian air, riverine and eradication Operations..	6,000,000
Implement A-37 extended life program (Peru/Colombia).....	24,900,000
Podded radar initiative for aircraft.....	10,000,000
Procure 3 additional observation aircraft.....	13,500,000
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Total.....	232,600,000

CHAPTER 4

DEPARTMENT OF TRANSPORTATION

Coast Guard

This chapter of the bill includes \$133,700,000 for additional expenses to expand the Coast Guard's counter-drug activities as part of the broader counter-drug initiative in this bill. The funding is designated as an emergency requirement and made contingent on the President's request and designation of such as an emergency.

operating expenses

The bill includes \$16,300,000 for additional operating expenses of the Coast Guard, for expenses related to the expansion of drug interdiction activities. The funding is designated as an emergency requirement and made contingent on the President's request and designation of such as an emergency. The bill specifies that, of the total funds provided, \$4,000,000 shall be used for establishment and operation of a Caribbean international support tender, to train and support foreign coast guards in the Caribbean region.

acquisition, construction, and improvements

The bill includes \$117,400,000 for additional expenses for capital acquisition, construction, renovation and improvement programs of the Coast Guard, to expand the service's drug interdiction capabilities. The entire amount is designated as an emergency requirement and made contingent on the President's request and designation of such as an emergency. The conferees expect the funds to be allocated in the following manner:

Program	Amount
Maritime patrol aircraft acquisition.....	\$44,500,000
Acquisition or conversion of up to two vessels to be used as support or command and control platforms.....	20,000,000
Deployable pursuit boat acquisition.....	3,500,000
Barracuda-class coastal patrol boats.....	33,100,000
Cutter sensors & communication systems.....	16,300,000
<hr/>	
Total.....	117,400,000

CHAPTER 5

DEPARTMENT OF THE TREASURY

Departmental Offices

salaries and expenses

The conference agreement provides an additional \$1,500,000, which may be transferred to the National Foreign Intelligence Program, as a contingent emergency appropriation for enhanced money laundering intelligence.

United States Customs Service

salaries and expenses

The conference agreement provides an additional \$106,300,000 as a contingent emergency appropriation for counterdrug initiatives, as follows: \$80,000,000 for non-intrusive inspection technology (which will augment \$54,000,000 in funding provided elsewhere in this Act for a total of \$134,000,000 in such technology); \$15,000,000 for personnel support for aircrews for additional P-3 and Citation aircraft; \$1,300,000 to meet immediate P-3 aircrew support requirements; and \$10,000,000 for a port integrity initiative.

operations, maintenance, and procurement, air and marine interdiction programs

The conference agreement provides \$162,700,000 as a contingent emergency appropriation for counterdrug initiatives, as follows: \$93,000,000 for procurement and conversion of two P-3B AEW Aircraft for use in drug surveillance and interdiction in the source and transit zones; \$60,000,000 for procurement and conversion of four P-3B Slick aircraft for surveillance and interdiction in the source and transit zones; \$5,000,000 for P-3 deployment to the source zone; and \$4,700,000 for four tracker aircraft for surveillance and interdiction in the source and transit zones.

customs facilities, construction, improvements and related expenses

The conference agreement provides \$7,000,000 as a contingent emergency appropriation to construct and furnish an additional support facility for Customs P-3 aircraft.

incorporation of emergency funding for air interdiction programs into customs modernization plan

The U.S. Customs Service is directed to address all contingent emergency funding provided in this bill for

staffing, procurement, operations, and facilities for Customs air interdiction in its Air Interdiction Modernization Plan, which is to be submitted with the President's fiscal year 2000 budget.

EXECUTIVE OFFICE OF THE PRESIDENT

Office of National Drug Control Policy

salaries and expenses

The conference agreement provides \$1,200,000 as a contingent emergency appropriation for ONDCP Salaries and Expenses.

special forfeiture fund

The conference agreement provides \$2,000,000 to be available for transfer to the Office of Justice Programs to support the Drug Court Institute.

DIVISION C--OTHER MATTERS

TITLE I--OTHER MATTERS

Sec. 101. The conference agreement includes a provision which allows for appointment of an Acting Treasury Inspector General for Tax Administration to make interim arrangements for administrative support of the office, establish interim positions for personnel transferred for the function, appoint acting personnel as necessary on an interim basis, and to provide input for the fiscal year 2000 budget process.

Sec. 102. The conferees agree to include language amending Section 122 of Public Law 105-119 to permit the Secretary of the Treasury to establish, over a three year period, a new system of pay, classification, and personnel management for up to 950 employees who fill critical scientific, technical, engineering, intelligence analyst, language translator and medical positions in the Bureau of Alcohol, Tobacco and

Firearms, the United States Customs Service, and the United States Secret Service.

Sec. 103. The conference agreement includes a section that would give the Secretary of State the authority to reemploy Foreign Service annuitants on a temporary basis, but only if and for so long as, the authority is necessary due to an emergency involving a direct threat to life or property or other unusual circumstances. This authority exists under current law for Civil Service employees. This authority is intended to be used to reemploy annuitants to work on the stand up of the Nairobi, Kenya, and Dar es Salaam, Tanzania embassies and related world-wide security issues.

Sec. 104. The conference agreement includes a provision amending the Diplomatic Security and Antiterrorism Act of 1986 to enable the Bureau of Diplomatic Security of the Department of State to employ individuals or organizations by contract to carry out the provisions of that Act. This authority will enable the Bureau to recruit on short notice engineers and technicians with skills specific to such security fields as alarm installations, perimeter security detection systems, and explosives detection systems. This authority will permit an immediate response to increased security requirements and emergency upgrades at diplomatic posts throughout the world.

The conference agreement includes a provision relating to intrastate bus transportation in the State of Hawaii.

The conference agreement includes a provision that waives the per-state, per-disaster cap for the State of California for projects resulting from flooding in January and March 1995.

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The conference agreement includes a provision that pertains to the registration of container chassis.

The conference agreement includes a provision that extends the authorization of the grants-in-aid for airports program through March 31, 1999.

Sec. 111. The conference agreement includes a provision expressing the Sense of the Congress regarding the increase of steel imports into the United States, and urges the

President to take several actions to address this issue and report to Congress by January 5, 1999, with a comprehensive plan for responding to the program.

Provides for the inclusion of Spirit Mound, South Dakota, as part of the Lewis and Clark National Historic Trail and authorizes the Secretary of the Interior to acquire this property.

Sec. 113-Sec. 133. The conferees agree to include new provisions naming several post office buildings in various locations throughout the country.

Sec. 134. The conference agreement inserts a new section requested by District officials that enacts certain provisions of the **Omnibus** Personnel Reform Amendment Act of 1998 approved by the Council of the District of Columbia and signed by the Mayor on April 1, 1998.

Sec. 135. The conference agreement inserts a new section that transfers any right, title, or interest of the United States in certain property in Anne Arundel County, Maryland, that was formerly the site of Cedar Knoll School, a juvenile detention center operated by the District of Columbia.

The conference agreement includes language authorizing the Flood Mitigation Near Pierre, South Dakota, project of the U.S. Army Corps of Engineers.

The conference agreement includes language authorizing the Grand Forks, North Dakota, and East Grand Forks, Minnesota, project of the U.S. Army corps of Engineers.

Sec. 138 The conference agreement includes an authorization for the Police Corps for the years 1999 through 2002 and makes certain change in the training session requirements.

Sec. 139. The conferees include a new provision authorizing national medals for the ``Little Rock Nine'' and for Gerald and Betty Ford.

Sec. 140. The conference agreement includes language which provides for the transfer, by negotiated sale, of approximately 200 acres of property in San Joaquin County, California currently under the jurisdiction of the Federal Bureau of Persons of Department of Justice to the City of Tracy, California.

Sec. 141. The conferees agree to include a new provision transferring control of any property on which the Lorton Correctional Complex is located to the General Services

Administration.

The conference agreement inserts a new section in Division C of the bill that amends and updates that Act that establishes the U.S. Olympic Committee and the framework for Olympic and amateur sports in the United States. This was not included in either the **House** or Senate bills. Among other improvements, the section would incorporate the Paralympics under the umbrella of U.S. Olympic Committee responsibilities and would ensure that disabled amateur athletes. The section includes a number of other amendments developed by consensus over a four-year period.

The conference agreement includes a general provision which amends section 8106(a) of the Department of Defense Appropriations Act, 1997.

The conference agreement includes a general provision which makes a technical correction to section 8120 of the Department of Defense Appropriations Act, 1999.

The conference agreement includes a general provision which amends section 1043 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999.

The conference agreement includes a general provision which amends section 1512 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999.

The conference agreement includes a general provision which requires the Secretary of the Navy, in conjunction with the Commandant of the Marine Corps, to review F/A-18 requirements and production capability and permits the reprogramming of funds to sustain F/A-18 production capability.

The Marine Corps has a stated requirement for additional F/A-18 aircraft to meet requirements due to anticipated attrition of current inventory aircraft. While it may be possible to purchase these aircraft in the future if international sales sustain the production line, the Congress recognizes the risk of this strategy because of the uncertainty of potential foreign sales. Following the review by the Secretary of the Navy and the Commandment of the Marine Corps regarding F/A-18 requirements and production capability, the Congress expects the submission of a reprogramming action or future budget request, if needed, to ensure that the Marine Corps has adequate attack aircraft to meet force structure requirements.

The conference agreement includes a general provision which amends section 8135 of the Department of Defense Appropriations, Act, 1992.

future operational concepts

The Department of Defense is currently examining a number of alternative operational concepts for the military forces of the future. These include potential doctrinal changes and experimentation by the individual military services as well as joint warfighting initiatives, including those under consideration as part of Joint Vision 2010. The Congress has supported these steps, and believes it imperative that innovative concepts such as ``Rapid Dominance'' be fully considered and refined and if possible be evaluated in conjunction with a targeted research and development program coupled with ``proof-of-concept'' field testing and evaluation. The Secretary of Defense is directed to review such programs to ensure they are being adequately supported in the budget process. The Secretary is encouraged to reprogram or request funds to ensure these important efforts are fully supported.

entry level commission for military nurse corps officers

The Administrative is examining whether it should allow individuals with Associate degrees to enter the Nurse Corps as officers. The conferees believe that the responsibilities of Nurse Corps officers necessitate that they should be required to have baccalaureate degrees.

This provision extends the 1998-1999 duck hunting season in the State of Mississippi.

TITLE II--AMERICAN FISHERIES ACT

The conference agreement includes a new title which: (1) amends current law regarding the ownership requirements for eligibility of a vessel to receive a fishery endorsement to operate in certain fisheries and under certain terms and

conditions; and sets forth procedures for implementation and penalties for noncompliance; (2) establishes allocations regarding the total allowable catch in the Bering Sea pollock fishery; (3) authorizes a buyout program of certain catcher/processors operating in the Bering Sea pollock fishery, to be financed through \$20,000,000 in Federal payments, and \$75,000,000 in direct loans to be repaid through a fee on pollock harvested in the fishery; (4) authorizes a direct loan program for the western Alaska community development quota program for the purchase of certain vessels and shoreside processors in the pollock fishery; and (5) sets forth certain requirements for protection and conservation measures for other fisheries in the North Pacific. Neither the **House** nor Senate bill addressed this matter.

TITLE IV--AMERICAN COMPETITIVENESS AND WORKFORCE IMPROVEMENT ACT

The conference agreement includes a new title which will increase the annual quota of temporary visas for foreign professionals through 2001, will increase protections for American professional workers, and will fund job training and scholarship programs for American students and workers in computer science and other scientific fields.

TITLE V

The conference agreement includes language authorizing and directing the Bureau of Reclamation to conduct feasibility studies for the restoration and reclamation of the Salton Sea in California.

TITLE VI

The conference agreement includes the text of S. 1341, the Cheyenne River Sioux Tribe, Lower Brule Sioux Tribe, and State of South Dakota Terrestrial Wildlife Habitat Mitigation Act of 1997.

TITLE X

The conference agreement includes language establishing the

terms and conditions under which the Secretary of the Interior shall convey leaseholds in certain properties around Canyon Ferry Reservoir, Montana.

TITLE XI--MORATORIUM ON CERTAIN TAXES

The conference agreement includes Title XI, The Internet Tax Freedom Act, which establishes a national policy against State and local government interference with interstate commerce on the Internet or interactive computer services, and a three-year moratorium on the imposition of exactions that would interfere with the free flow of commerce via the Internet.

TITLE XII--OTHER PROVISIONS

The conference agreement includes Title XII, Other Provisions, which contains several provisions related to the Internet, including declarations that the Internet should be free of taxes, tariffs, and trade barriers.

TITLE XIII--CHILDREN'S ONLINE PRIVACY PROTECTION

The conference agreement includes Title XIII, the Children's Online Privacy Protection Act of 1998, which establishes a framework for the regulation of unfair and deceptive acts and practices in connection with the collection and use of personal information from and about children on the Internet.

TITLE XIV--CHILD ONLINE PROTECTION ACT

The conference agreement includes Title XIV, The Child Online Protection Act, which amends the Communications Act of 1934 to require commercial distributors of material through the World Wide Web that is harmful to minors to restrict access to such material by minors. This title also establishes a temporary Commission on Online Child Protection, which is required to produce a report within one year, and to terminate 30 days after producing the report.

TITLE XV

VACCINE INJURY COMPENSATION

The conference agreement includes a new title in Division C that was not included in either the **House** or Senate bills. This title inserts the Vaccine Injury Compensation

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Program Modification Act which amends the Public Health Service Act and the Internal Revenue Code with respect to vaccine injury compensation.

TITLE XVI--SERVICE CONNECTION FOR PERSIAN GULF WAR ILLNESSES

The conference agreement inserts a new title regarding benefits for Persian Gulf War veterans.

TITLE XVII--GOVERNMENT PAPERWORK ELIMINATION ACT

The conference agreement includes Title XVII, the Government Paperwork Elimination Act, which requires the development of procedures for the use and acceptance of electronic signatures by Executive agencies of the U.S. Government.

DIVISION G, FOREIGN AFFAIRS REFORM AND RESTRUCTURING ACT OF 1998

The conference agreement includes Division G, the Foreign Affairs Reform and Restructuring Act of 1998. That Act consists of two subdivisions. Subdivision A consolidates foreign affairs agencies, by requiring that (1) the Arms Control and Disarmament Agency merge with the State Department by April 1, 1999; (2) the United States Information Agency merge with the State Department by October 1, 1999; and (3) the authorities of the United States International Development Cooperation Agency are to be brought under the State Department by April 1, 1999. Subdivision B provides authorizations of appropriations for

the State Department, United States Information Agency, the Arms Control and Disarmament Agency and other related agencies, and makes a number of changes in the statutory authorities of these agencies.

DIVISION J

TITLE I. EXTENSION AND MODIFICATION OF CERTAIN EXPIRING PROVISIONS

Subtitle A--Tax Provisions

A. Extension of Research Tax Credit

(sec. 101 of the **House** bill,\1\ sec. 101 of S. 2622, and sec. 41 of the Code)

Present law

Section 41 provides for a research tax credit equal to 20 percent of the amount by which a taxpayer's qualified research expenditures for a taxable year exceeded its base amount for that year. The research tax credit expired and generally does not apply to amounts paid or incurred after June 30, 1998.

\1\ All references to the ``**House** bill'' are to H.R. 4738, as passed by the **House** of Representatives on October 12, 1998.

Except for certain university basic research payments made by corporations, the research tax credit applies only to the extent that the taxpayer's qualified research expenditures for the current taxable year exceed its base amount. The base amount for the current year generally is computed by multiplying the taxpayer's ``fixed-base percentage'' by the average amount of the taxpayer's gross receipts for the four preceding years. If a taxpayer both incurred qualified research expenditures and had gross receipts during each of at least three years from 1984 through 1988, then its ``fixed-base percentage'' is the ratio that its total qualified research expenditures for the 1984-1988 period bears to its total gross receipts for that period (subject to

a maximum ratio of .16). All other taxpayers (so-called ``start-up firms'') are assigned a fixed-base percentage of 3 percent.

Taxpayers are allowed to elect an alternative incremental research credit regime. If a taxpayer elects to be subject to this alternative regime, the taxpayer is assigned a three-tiered fixed-base percentage (that is lower than the fixed-base percentage otherwise applicable under present law) and the credit rate likewise is reduced. Under the alternative credit regime, a credit rate of 1.65 percent applies to the extent that a taxpayer's current-year research expenses exceed a base amount computed by using a fixed-base percentage of 1 percent (i.e., the base amount equals 1 percent of the taxpayer's average gross receipts for the four preceding years) but do not exceed a base amount computed by using a fixed-base percentage of 1.5 percent. A credit rate of 2.2 percent applies to the extent that a taxpayer's current-year research expenses exceed a base amount computed by using a fixed-base percentage of 1.5 percent but do not exceed a base amount computed by using a fixed-base percentage of 2 percent. A credit rate of 2.75 percent applies to the extent that a taxpayer's current-year research expenses exceed a base amount computed by using a fixed-base percentage of 2 percent. An election to be subject to this alternative incremental credit regime may be made for any taxable year beginning after June 30, 1996, and such an election applies to that taxable year and all subsequent years (in the event that the credit subsequently is extended by Congress) unless revoked with the consent of the Secretary of the Treasury.

House Bill

The **House** bill extends the research tax credit for 18 months--i.e., generally, for the period July 1, 1998, through December 31, 1999.

Effective date.--The extension of the research credit is effective for qualified research expenditures paid or incurred during the period July 1, 1998, through December 31, 1999.

Senate Amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that is similar to

the provision contained in the **House** bill. S. 2622 extends the research tax credit for 12 months--i.e., generally, for the period July 1, 1998, through June 30, 1999.

Effective date.--The extension of the research credit is effective for qualified research expenditures paid or incurred during the period July 1, 1998, through June 30, 1999.

Conference Agreement

The conference agreement follows S. 2622 and extends the research credit for 12 months--i.e., generally, for the period July 1, 1998, through June 30, 1999.

In extending the credit, the conferees wish to reaffirm the scope of the term ``qualified research.'' Section 41 targets the credit to research which is undertaken for the purpose of discovering information which is technological in nature and the application of which is intended to be useful in the development of a new or improved business component of the taxpayer. However, eligibility for the credit does not require that the research be successful--i.e., the research need not achieve its desired result. Moreover, evolutionary research activities intended to improve functionality, performance, reliability, or quality are eligible for the credit, as are research activities intended to achieve a result that has already been achieved by other persons but is not yet within the common knowledge (e.g., freely available to the general public) of the field (provided that the research otherwise meets the requirements of section 41, including not being excluded by subsection (d)(4)).

Activities constitute a process of experimentation, as required for credit eligibility, if they involve evaluation of more than one alternative to achieve a result where the means of achieving the result are uncertain at the outset, even if the taxpayer knows at the outset that it may be technically possible to achieve the result. Thus, even though a researcher may know of a particular method of achieving an outcome, the use of the process of experimentation to effect a new or better method of achieving that outcome may be eligible for the credit (provided that the research otherwise meets the requirements of section 41, including not being excluded by subsection (d)(4)).

Lastly, the conferees observe the lack of clarity in the

interpretation of the distinction between internal-use software, the costs of which may be eligible for the credit if additional tests are met, and other software. The conferees emphasize that application of the definition of internal-use software should fully reflect Congressional intent.

Effective date.--The extension of the research credit is effective for qualified research expenditures paid or incurred during the period July 1, 1998, through June 30, 1999.

B. Extension of the Work Opportunity Tax Credit

(sec. 102 of the **House** bill, sec. 102 of S. 2622, and sec. 51 of the Code)

Present Law

In general

The work opportunity tax credit ('`WOTC''), which expired on June 30, 1998, was available on an elective basis for employers hiring individuals from one or more of eight targeted groups. The credit equals 40 percent (25 percent for employment of 400 hours or less) of qualified wages. Qualified wages are wages attributable to service rendered by a member of a targeted group during the one-year period beginning with the day the individual began work for the employer. For a vocational rehabilitation referral, however, the period begins on the day the individual began work for the employer on or after the beginning of the individual's vocational rehabilitation plan.

The maximum credit per employee is \$2,400 (40% of the first \$6,000 of qualified first-year wages). With respect to qualified summer youth employees, the maximum credit is \$1,200 (40 percent of the first \$3,000 of qualified first-year wages).

The employer's deduction for wages is reduced by the amount of the credit.

Targeted groups eligible for the credit

The eight targeted groups are: (1) families eligible to receive benefits under the Temporary Assistance for Needy

Families (TANF) Program; (2) high-risk youth; (3) qualified ex-felons; (4) vocational rehabilitation referrals; (5) qualified summer youth employees; (6) qualified veterans; (7) families receiving food stamps; and (8) persons receiving certain Supplemental Security Income (SSI) benefits.

Minimum employment period

No credit is allowed for wages paid to employees who work less than 120 hours in the first year of employment.

Expiration date

The credit is effective for wages paid or incurred to a qualified individual who began work for an employer before July 1, 1998.

House Bill

The **House** bill extends the work opportunity tax credit for 18 months (through December 31, 1999).

Effective date.--The provision is effective for wages paid or incurred to qualified individuals who begin work for the employer on or after July 1, 1998, and before January 1, 2000.

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Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that is similar to the provision contained in the **House** bill. S. 2622 extends the work opportunity tax credit for 12 months (through June 30, 1999).

Effective date.--The provision is effective for wages paid or incurred to qualified individuals who begin work for the employer on or after July 1, 1998, and before July 1, 1999.

Conference agreement

The conference agreement follows S. 2622.

C. Extension of the Welfare-To-Work Tax Credit

(sec. 103 of S. 2622 and sec. 51A of the code)

Present law

The Code provides to employers a tax credit on the first

\$20,000 of eligible wages paid to qualified long-term family assistance (AFDC or its successor program) recipients during the first two years of employment. The credit is 35 percent of the first \$10,000 of eligible wages in the first year of employment and 50 percent of the first \$10,000 of eligible wages in the second year of employment. The maximum credit is \$8,500 per qualified employee.

Qualified long-term family assistance recipients are: (1) members of a family that has received family assistance for at least 18 consecutive months ending on the hiring date; (2) members of a family that has received family assistance for a total of at least 18 months (whether or not consecutive) after the date of enactment of this credit if they are hired within two years after the date that the 18-month total is reached; and (3) members of a family who are no longer eligible for family assistance because of either Federal or State time limits, if they are hired within two years after the Federal or State time limits made the family ineligible for family assistance.

Eligible wages include cash wages paid to an employee plus amounts paid by the employer for the following: (1) educational assistance excludable under a section 127 program (or that would be excludable but for the expiration of sec. 127); (2) health plan coverage for the employee, but not more than the applicable premium defined under section 4980B(f)(4); and (3) dependent care assistance excludable under section 129.

The welfare to work credit is effective for wages paid or incurred to a qualified individual who begins work for an employer on or after January 1, 1998, and before May 1, 1999.

House bill

No provision.

Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, extends the welfare-to-work tax credit for two months.

Effective date.--The provision extends the welfare-to-work credit effective for wages paid or incurred to a qualified individual who begins work for an employer on or after May 1, 1999, and before July 1, 1999.

Conference agreement

The conference agreement follows S. 2622.

D. Extend the Deduction Provided for Contributions of Appreciated Stock
to Private Foundations; Public Inspection of Private Foundation Annual
Returns

1. Extend the deduction provided for contributions of appreciated stock
to private foundations (sec. 104(a) of the **house** bill, sec. 104 of S.
2622, and sec. 170(e)(5) of the code)

Present law

In computing taxable income, a taxpayer who itemizes deductions generally is allowed to deduct the fair market value of property contributed to a charitable organization.\2\ However, in the case of a charitable contribution of short-term gain, inventory, or other ordinary income property, the amount of the deduction generally is limited to the taxpayer's basis in the property. In the case of a charitable contribution of tangible personal property, the deduction is limited to the taxpayer's basis in such property if the use by the recipient charitable organization is unrelated to the organization's tax-exempt purpose.

\2\ The amount of the deduction allowable for a taxable year where respect to a charitable contribution may be reduced depending on the type of property contributed, the type of charitable organization to which the property is contributed, and the income of the taxpayer (sec. 170(b) and 170(e)).

In cases involving contributions to a private foundation (other than certain private operating foundations), the amount of the deduction is limited to the taxpayer's basis in the property. However, under a special rule contained in section 170(e)(5), taxpayers are allowed a deduction equal to the fair market value of ``qualified appreciated stock'' contributed to a private foundation prior to July 1, 1998. Qualified appreciated stock is defined as publicly traded stock which is capital gain property. The fair-market-value deduction for qualified appreciated stock donations applies only to the extent that total donations made by the donor to

private foundations of stock in a particular corporation did not exceed 10 percent of the outstanding stock of that corporation. For this purpose, an individual is treated as making all contributions that were made by any member of the individual's family.

House bill

The **House** bill extends permanently the special rule contained in section 170(e)(5).

Effective date.--The provision is effective for contributions of qualified appreciated stock to private foundations made on or after July 1, 1998.

Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that is similar to the provision contained in the **House** bill. The provision in S. 2622 extends the special rule contained in section 170(e)(5) for one year--for contributions of qualified appreciated stock made to private foundations during the period July 1, 1998, through June 30, 1999.

Conference agreement

The conference agreement follows the **House** bill.

2. Public inspection of private foundation annual returns (sec. 104(b) of the **House** bill and secs. 6104(d) and (e) of the Code)

Present law

Tax-exempt organizations (other than churches and certain small organizations) are required to file an annual information return (Form 990) with the Internal Revenue Service ('`IRS''), setting forth the organization's items of gross income and expenses attributable to such income, disbursements for tax-exempt purposes, plus certain other information for the taxable year.

Private foundations are required to make the current year's annual information return (Form 990-PF) available for public inspection at the foundation's principal office during regular business hours (sec. 6104(d)). Such return must be made available for inspection by any citizen on request made within 180 days after the date of publication of notice of

its availability. Notice must be published, not later than the day the return is required to be filed, in a newspaper having general circulation in the county in which the principal office of the foundation is located. The notice must state that the annual return is available for public inspection by any citizen who requests it, and must state the address and telephone number of the private foundation's principal office and the name of its principal manager.

Tax-exempt organizations (other than private foundations) that are required to file a Form 990, including public charities, are required to allow public inspection at the organization's principal office (and certain regional or district offices) of their Forms 990 for the three most recent taxable years (sec. 6104(e)).

The Taxpayer Bill of Rights 2 imposed additional public inspection requirements on tax-exempt organizations. All tax-exempt organizations, except private foundations, will be required to comply with requests made in person or in writing by individuals who seek a copy of the organization's Form 990 for any of the organization's three most recent taxable years. Upon such a request, the organization is required to supply copies without charge other than a reasonable fee for reproduction and mailing costs. If the request for copies is made in person, then the organization must immediately provide such copies. If the request for copies is made in writing, then copies must be provided within 30 days. In addition, all tax-exempt organizations, including private foundations, will be required to comply in the same manner with requests made in person or in writing by individuals who seek a copy of the organization's application for recognition of tax-exempt status and certain related documents. However, an organization may be relieved of its obligation to provide copies if, in accordance with regulations to be promulgated by the Secretary of Treasury, (1) the organization has made the requested documents widely available or (2) the Secretary of the Treasury determined, upon application by the organization, that the organization was subject to a harassment campaign such that a waiver of the obligation to provide copies would be in the public interest. These additional public inspection provisions apply to requests made no earlier

than 60 days after the date on which the Treasury Department publishes regulations defining when requested documents have been made widely available or when a request is part of a harassment campaign.\3\ While proposed regulations have been issued, final regulations have not been published; therefore, the provision is not yet in effect.\4\

\3\ However, the legislative history of the provision indicates that Congress expected that organizations will comply voluntarily with the public inspection provisions prior to the issuance of such final regulations.

\4\ Prop. Treas. Reg. sec. 301.6104(e)-1.

Upon written request to the IRS, members of the general public also are permitted to inspect annual information returns of tax-exempt organizations and applications for recognition of tax-exempt status (and related documents) at the National Office of the IRS in Washington, D.C. A person making such a written request is notified by the IRS when the material is available for inspection at the National Office, where notes may be taken of the material open for inspection, photographs taken with the person's own equipment, or copies of such material obtained from the IRS for a fee (Treas. Reg. secs. 301.6104(a)-6 and 301.6104(b)-1).

House bill

Under the **House** bill, private foundations are subject to the public inspection requirements that currently apply to public charities and all other tax-exempt organizations that file annual information returns. Accordingly, private foundations will be required to

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comply with requests from individuals who seek a copy of the foundation's annual information return for any of the foundation's three most recent taxable years. Private foundations are no longer subject to the publication requirements of section 6104(d).\5\

\5\ As set forth in the legislative history of the provision,

the **House** Committee on Ways and Means noted that the length of annual information returns filed by certain private foundations may make duplication and mailing of the return expensive and administratively burdensome. The Committee expressed its expectation that the Treasury Department will publish regulations to address this issue (e.g., by permitting persons to request a copy of portions of the return).

Effective date.--The additional public inspection provisions apply to requests made after the later of: (1) the date which is 60 days after the date on which the Treasury Department publishes regulations defining when requested documents have been made widely available or when a request is part of a harassment campaign, or (2) December 31, 1998. The repeal of the present-law publication requirement shall apply only to those returns the due date for filing of which is on or after the date the public inspection requirements become effective.

Senate amendment

No provision.

Conference Agreement

The conference agreement follows the **House** bill.

E. Exceptions Under Subpart F for Certain Active Financing Income

(sec. 105 of the **House** bill, sec. 105 of S. 2622, and secs. 953 and 954 of the Code)

Present law

In general

Under the subpart F rules, certain U.S. shareholders of a controlled foreign corporation ('`CFC'') are subject to U.S. tax currently on certain income earned by the CFC, whether or not such income is distributed to the shareholders. The income subject to current inclusion under the subpart F rules

includes, among other things, ``foreign personal holding company income'' and insurance income. The U.S. 10-percent shareholders of a CFC also are subject to current inclusion with respect to their shares of the CFC's foreign base company services income (i.e., income derived from services performed for a related person outside the country in which the CFC is organized).

Foreign personal holding company income generally consists of the following: (1) dividends, interest, royalties, rents and annuities; (2) net gains from the sale or exchange of (a) property that gives rise to the preceding types of income, (b) property that does not give rise to income, and (c) interests in trusts, partnerships, and REMICs; (3) net gains from commodities transactions; (4) net gains from foreign currency transactions; (5) income that is equivalent to interest; (6) income from notional principal contracts; and (7) payments in lieu of dividends.

Insurance income subject to current inclusion under the subpart F rules includes any income of a CFC attributable to the issuing or reinsuring of any insurance or annuity contract in connection with risks located in a country other than the CFC's country of organization. Subpart F insurance income also includes income attributable to an insurance contract in connection with risks located within the CFC's country of organization, as the result of an arrangement under which another corporation receives a substantially equal amount of consideration for insurance of other-country risks. Investment income of a CFC that is allocable to any insurance or annuity contract related to risks located outside the CFC's country of organization is taxable as subpart F insurance income (Prop. Treas. Reg. sec. 1.953-1(a)).

Temporary exceptions from foreign personal holding company income and foreign base company services income apply for subpart F purposes for certain income that is derived in the active conduct of a banking, financing, insurance, or similar business.\6\ These exceptions (described below) are applicable only for taxable years beginning in 1998.

\6\ The President canceled these exceptions in 1997 pursuant to the Line Item Veto Act. On June 25, 1998, the U.S. Supreme

Court held that the cancellation procedures set forth in the Line Item Veto Act are unconstitutional. *Clinton v. City of New York*, 118 S. Ct. 2091 (June 25, 1998).

Income from the active conduct of a banking, financing, or similar business

A temporary exception from foreign personal holding company income applies to income that is derived in the active conduct of a banking, financing, or similar business by a CFC that is predominantly engaged in the active conduct of such business. For this purpose, income derived in the active conduct of a banking, financing, or similar business generally is determined under the principles applicable in determining financial services income for foreign tax credit limitation purposes. However, in the case of a corporation that is engaged in the active conduct of a banking or securities business, the income that is eligible for this exception is determined under the principles applicable in determining the income which is treated as nonpassive income for purposes of the passive foreign investment company provisions. In this regard, the income of a corporation engaged in the active conduct of a banking or securities business that is eligible for this exception is the income that is treated as nonpassive under the regulations proposed under section 1296(b) (as in effect prior to the enactment of the Taxpayer Relief Act of 1997). See Prop. Treas. Reg. secs. 1.1296-4 and 1.1296-6. The Secretary of the Treasury is directed to prescribe regulations applying look-through treatment in characterizing for this purpose dividends, interest, income equivalent to interest, rents and royalties from related persons.

For purposes of the temporary exception, a corporation is considered to be predominantly engaged in the active conduct of a banking, financing, or similar business if it is engaged in the active conduct of a banking or securities business or is a qualified bank affiliate or qualified securities affiliate. In this regard, a corporation is considered to be engaged in the active conduct of a banking or securities business if the corporation would be treated as so engaged under the regulations proposed under prior law section 1296(b) (as in effect prior to the enactment of the Taxpayer

Relief Act of 1997); qualified bank affiliates and qualified securities affiliates are as determined under such proposed regulations. See Prop. Treas. Reg. secs. 1.1296-4 and 1.1296-6.

Alternatively, a corporation is considered to be engaged in the active conduct of a banking, financing, or similar business if more than 70 percent of its gross income is derived from such business from transactions with unrelated persons located within the country under the laws of which the corporation is created or organized. For this purpose, income derived by a qualified business unit ('`QBU'') of a corporation from transactions with unrelated persons located in the country in which the QBU maintains its principal office and conducts substantial business activity is treated as derived by the corporation from transactions with unrelated persons located within the country in which the corporation is created or organized. A person other than a natural person is considered to be located within the country in which it maintains an office through which it engages in a trade or business and by which the transaction is effected. A natural person is treated as located within the country in which such person is physically located when such person enters into the transaction.

Income from the active conduct of an insurance business

A temporary exception from foreign personal holding company income applies for certain investment income of a qualifying insurance company with respect to risks located within the CFC's country of creation or organization. These rules differ from the rules of section 953 of the Code, which determines the subpart F inclusions of a U.S. shareholder relating to insurance income of a CFC. Such insurance income under section 953 generally is computed in accordance with the rules of subchapter L of the Code.

A temporary exception applies for income (received from a person other than a related person) from investments made by a qualifying insurance company of its reserves or 80 percent of its unearned premiums. For this purpose, in the case of contracts regulated in the country in which sold as property, casualty or health insurance contracts, unearned premiums and reserves are defined as unearned premiums and reserves for losses incurred determined using the methods and interest

rates that would be used if the qualifying insurance company were subject to tax under subchapter L of the Code. Thus, for this purpose, unearned premiums are determined in accordance with section 832(b)(4), and reserves for losses incurred are determined in accordance with section 832(b)(5) and 846 of the Code (as well as any other rules applicable to a U.S. property and casualty insurance company with respect to such amounts).

In the case of a contract regulated in the country in which sold as a life insurance or annuity contract, the following three alternative rules for determining reserves apply. Any one of the three rules can be elected with respect to a particular line of business.

First, reserves for such contracts can be determined generally under the rules applicable to domestic life insurance companies under subchapter L of the Code, using the methods there specified, but substituting for the interest rates in Code section 807(d)(2)(B) an interest rate determined for the country in which the qualifying insurance company was created or organized, calculated in the same manner as the mid-term applicable Federal interest rate ('`AFR'') (within the meaning of section 1274(d)).

Second, the reserves for such contracts can be determined using a preliminary term foreign reserve method, except that the interest rate to be used is the interest rate determined for the country in which the qualifying insurance company was created or organized, calculated in the same manner as the mid-term AFR. If a qualifying insurance company uses such a preliminary term method with respect to contracts insuring risks located in the country in which the company is created or organized, then such method is the method that applies for purposes of this election.

Third, reserves for such contracts can be determined to be equal to the net surrender value of the contract (as defined in section 807(e)(1)(A)).

In no event can the reserve for any contract at any time exceed the foreign statement reserve for the contract, reduced by

any catastrophe or deficiency reserve. This rule applies whether the contract is regulated as a property, casualty, health, life insurance, annuity or any other type of contract.

A temporary exception from foreign personal holding company income also applies for income from investment of assets equal to: (1) one-third of premiums earned during the taxable year on insurance contracts regulated in the country in which sold as property, casualty, or health insurance contracts; and (2) the greater of 10 percent of reserves, or, in the case of a qualifying insurance company that is a startup company, \$10 million. For this purpose, a startup company is a company (including any predecessor) that has not been engaged in the active conduct of an insurance business for more than 5 years. In general, the 5-year period commences when the foreign company first is engaged in the active conduct of an insurance business. If the foreign company was formed before being acquired by the U.S. shareholder, the 5-year period commences when the acquired company first was engaged in the active conduct of an insurance business. In the event of the acquisition of a book of business from another company through an assumption or indemnity reinsurance transaction, the 5-year period commences when the acquiring company first engaged in the active conduct of an insurance business, except that if more than a substantial part (e.g., 80 percent) of the business of the ceding company is acquired, then the 5-year period commences when the ceding company first engaged in the active conduct of an insurance business. Reinsurance transactions among related persons may not be used to multiply the number of 5-year periods.

Under rules prescribed by the Secretary, income is allocated to contracts as follows. In the case of contracts that are separate account-type contracts (including variable contracts not meeting the requirements of sec. 817), only the income specifically allocable to such contracts is taken into account. In the case of other contracts, income not specifically allocable is allocated ratably among such contracts.

A qualifying insurance company is defined as any entity which: (1) is regulated as an insurance company under the laws of the country in which it is incorporated; (2) derives

at least 50 percent of its net written premiums from the insurance or reinsurance of risks situated within its country of incorporation; and (3) is engaged in the active conduct of an insurance business and would be subject to tax under subchapter L if it were a domestic corporation.

The temporary exceptions do not apply to investment income (includable in the income of a U.S. shareholder of a CFC pursuant to sec. 953) allocable to contracts that insure related party risks or risks located in a country other than the country in which the qualifying insurance company is created or organized.

Anti-abuse rule

An anti-abuse rule applies for purposes of these temporary exceptions. For purposes of applying these exceptions, items with respect to a transaction or series of transactions are disregarded if one of the principal purposes of the transaction or transactions is to qualify income or gain for these exceptions, including any change in the method of computing reserves or any other transaction or transactions one of the principal purposes of which is the acceleration or deferral of any item in order to claim the benefits of these exceptions.

Foreign base company services income

A temporary exception from foreign base company services income applies for income derived from services performed in connection with the active conduct of a banking, financing, insurance or similar business by a CFC that is predominantly engaged in the active conduct of such business or is a qualifying insurance company.

House Bill

In general

The **House** bill extends and modifies the present-law temporary exceptions from subpart F for income that is derived in the active conduct of a banking, financing, or similar business or in the conduct of an insurance business. These exceptions (as modified) are applicable only for taxable years beginning in 1999.

With respect to income derived in the active conduct of a banking, financing, or similar business, the **House** bill differs from the present-law temporary exceptions in the following significant respects. First, the **House** bill

requires a CFC to conduct substantial activity with respect to its business in order to qualify for the exceptions. Second, the **House** bill adds certain nexus requirements which require that income which is derived by a CFC or QBU from transactions with customers is eligible for the exceptions if, among other things, substantially all of the activities in connection with such transactions are conducted directly by the CFC or QBU in its home country, and such income is treated as earned by the CFC or QBU in its home country for purposes of such country's tax laws. Third, the **House** bill modifies the tests for determining whether a CFC is predominantly engaged in the active conduct of a banking, financing, or similar business, including modifications for income derived from a lending or finance business. Fourth, the **House** bill extends the exceptions to income derived from certain cross border transactions, provided that certain requirements are met. Fifth, the determination of where a customer is treated as located is made under rules prescribed by the Secretary of the Treasury. Finally, the look-through rule that was included in the present-law provision for purposes of determining the income eligible for the exceptions is eliminated.

In the case of insurance, the **House** bill differs from present law in the following significant respects. In addition to the exception for certain income of a qualifying insurance company with respect to risks located within the CFC's country of creation or organization that is provided under present law, the **House** bill provides additional exceptions. First, the **House** bill provides temporary exceptions from insurance income and from foreign personal holding company income for certain income of a qualifying branch of a qualifying insurance company with respect to risks located within the home country of the branch, provided certain requirements are met under each of the exceptions. Further, the **House** bill adds additional temporary exceptions from insurance income and from foreign personal holding company income for certain income of certain CFCs or branches with respect to risks located in any country other than the United States, provided that the requirements for these exceptions are

met.

Income from the active conduct of a banking, financing, or similar business

Substantial activity requirement.--The **House** bill modifies the exceptions from subpart F for income derived in the active conduct of a banking, financing, or similar business by, among other things, incorporating a substantial activity requirement. Under the **House** bill, the subpart F exceptions apply to a CFC that is an eligible controlled foreign corporation (an ``eligible CFC''). An eligible CFC is defined as a CFC which is predominantly engaged in the active conduct of a banking, financing, or similar business, but only if it conducts substantial activity with respect to such business.

Whether a CFC is considered to conduct substantial activity with respect to a banking, financing, or similar business is determined under all the facts and circumstances. It is intended that as part of this facts and circumstances analysis in determining whether the activities conducted by the CFC are substantial, all relevant factors are taken into account, including the overall size of the CFC, the amount of its revenues and expenses, the number of its employees, the ratio of its revenues per employee, the amount of property it owns, and the nature, size, and relative significance of the applicable activities conducted by the CFC. Under the **House** bill, the Treasury Secretary is granted the authority to prescribe regulations to carry out the purposes of these exceptions. It is intended that such authority includes the authority to prescribe rules relating to whether a CFC (or, as relevant, a QBU) is considered to conduct substantial activity.

It also is intended that as part of this facts and circumstances analysis, a CFC is required to conduct substantially all of the activities necessary for the generation of income with respect to the business, which generally include the following: initial solicitation of customers (including vendors); advising customers on financial needs, including funding and financial products; providing financial and technical advice to customers; designing or tailoring financial products to customers' needs; negotiating terms with customers; performing credit analysis on customers and evaluating noncredit risks;

providing related services to customers; making loans, entering into leases, extending credit or entering into other transactions with customers that generate income that would be considered derived in the active conduct of a banking, financing, or similar business; collecting from customers; performing remarketing activities (including sales) following termination of transactions with customers; responding to customers' failure to satisfy their obligations under transactions, including enforcement or renegotiation of terms, liquidation of collateral, foreclosure, and/or institution of litigation; and holding collateral for transactions with customers.

It is intended that the performance of back-office functions (including accounting for income or loss, recordkeeping, and routine communicating with customers) not be taken into account in determining whether the substantial activity requirement is satisfied. It also is intended that the relevant activities of the business may be modified by Treasury regulation to take into account future changes in the operations of these businesses.

In general, the substantial activity requirement is applied based on the activities of the CFC as a whole, including the activities of any QBUs of the CFC. In determining whether the substantial activity requirement is satisfied, activities performed in the country in which the CFC is incorporated (or in the country in which the QBU has its principal office) by employees of a related person of the CFC are taken into account, but only to the extent that the related person is compensated on an arm's-length basis for the services of such employees and such compensation is includible in the related person's income in such country for purposes of such country's income tax laws. For this purpose, a related person has the meaning provided in section 954(d)(3), substituting ``at least 80 percent'' for ``more than 50 percent.''

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It is intended that the activities of such a related person are not again taken into account in determining whether another CFC or QBU (e.g., the related person) satisfies the substantial activity requirement.

Predominantly engaged requirement

The **House** bill also modifies the rules for determining whether a CFC is predominantly engaged in the active conduct of a banking, financing, or similar business. Alternative rules apply for this purpose.

Banking or securities business.--The **House** bill modifies the present-law application of the banking or securities business tests for determining whether a CFC is predominantly engaged in the active conduct of a banking, financing, or similar business. Under the **House** bill, a CFC is considered to be predominantly engaged in the active conduct of a banking, financing, or similar business if it is engaged in the active conduct of a banking business and is an institution licensed to do business as a bank in the United States (or is any other corporation not so licensed which is specified in regulations). In addition, a CFC is considered to be predominantly engaged in the active conduct of a banking, financing, or similar business if it is engaged in the active conduct of a securities business and is registered as a securities broker or dealer under applicable U.S. securities laws (or is any other corporation not so registered which is specified in regulations). It generally is intended that these requirements for the active conduct of a banking or securities business be interpreted in the manner provided in the regulations proposed under prior law section 1296(b) (as in effect prior to the enactment of the Taxpayer Relief Act of 1997). See Prop. Treas. Reg. secs. 1.1296-4 and 1.1296-6. Specifically, it is intended that these requirements include the requirements for foreign banks under Prop. Treas. Reg. sec. 1.1296-4 as currently drafted. However, it is not intended that these requirements be considered to be satisfied by a CFC merely because it is a qualified bank affiliate or a qualified securities affiliate within the meaning of the proposed regulations under former section 1296(b).

Lending or finance business.--The **House** bill modifies the present-law 70-percent test for determining whether a CFC is predominantly engaged in the active conduct of a banking, financing, or similar business. Under the **House** bill, a CFC is considered to be predominantly engaged in the active

conduct of such business if more than 70 percent of its gross income is derived directly from the active and regular conduct of a lending or finance business from transactions with customers which are unrelated persons. For this purpose, it is intended that transactions with customers located in the United States not be taken into account in determining whether the 70-percent test is satisfied.

For this purpose, a CFC is considered to be engaged in a lending or finance business if it is engaged in the business of: (1) making loans; (2) purchasing or discounting accounts receivable, notes (including loans), or installment obligations; (3) engaging in leasing (including entering into leases and purchasing, servicing and disposing of leases and leased assets); (4) issuing letters of credit and providing guarantees; (5) providing charge and credit card services; or (6) rendering services or making facilities available in connection with the foregoing activities carried on by the corporation rendering such services or facilities, or by another corporation which is a member of the same affiliated group.

For this purpose, whether two corporations are affiliated is determined by reference to section 1504 with one modification: the exclusion for foreign corporations is disregarded.

Whether any portion of a CFC's gross income is derived directly from the active and regular conduct of a lending or finance business is determined under all the facts and circumstances. Under the **House** bill, the Treasury Secretary is granted the authority to prescribe regulations to carry out the purposes of these exceptions. It is intended that such authority includes the authority to prescribe rules relating to this determination.

Qualified banking or financing income exempt from subpart F

In general.--If a CFC is treated as an eligible CFC (i.e., it satisfies the substantial activity and predominantly engaged requirements), the subpart F exceptions apply to qualified banking or financing income of such corporation. Qualified banking or financing income is defined as income which is derived in the active conduct of a banking, financing, or similar business by an eligible CFC or a QBU of such CFC if: (1) the income is derived from transactions with

customers not located in the United States, (2) substantially all of the activities in connection with such transactions are conducted directly by the corporation or unit in its home country, and (3) the income is treated as earned by such corporation or unit in its home country for purposes of such country's tax laws. For this purpose, income is considered to be earned by a CFC or a QBU in its home country if such income is sourced and allocable to such CFC or QBU in its home country for purposes of such country's tax laws. In addition, for this purpose, activities are considered to be conducted by a CFC or QBU if such activities are performed by employees of the CFC or QBU. Except as provided by regulations, a CFC's home country is defined as its country of creation or organization, and a QBU's home country is defined as the country in which the unit maintains its principal office. Moreover, income derived from transactions with customers apply only to transactions with customers acting in their capacity as such.

For this purpose, it is intended that income derived by an eligible CFC or QBU of such CFC from the following types of activities be considered to be income derived in the active conduct of a banking, financing, or similar business (provided that the other requirements for these exceptions are satisfied):

- (1) regularly making personal, mortgage, industrial, or other loans in the ordinary course of the corporation's trade or business;

- (2) factoring evidences of indebtedness for customers;

- (3) purchasing, selling, discounting, or negotiating for customers notes, drafts, checks, bills of exchange, acceptances, or other evidences of indebtedness;

- (4) issuing letters of credit and negotiating drafts drawn thereunder for customers;

- (5) performing trust services, including as a fiduciary, agent, or custodian, for customers, provided such trust activities are not performed in connection with services provided by a dealer in stock, securities or similar financial instruments;

- (6) arranging foreign exchange transactions (including any section 988 transaction within the meaning of section 988(c)(1)) for, or engaging in foreign exchange transactions

with, customers;

(7) arranging interest rate or currency futures, forwards, options or notional principal contracts for, or entering into such transactions with, customers;

(8) underwriting issues of stock, debt instruments or other securities under best efforts or firm commitment agreements for customers;

(9) engaging in leasing (including entering into leases and purchasing, servicing and disposing of leases and leased assets);

(10) providing charge and credit card services for customers or factoring receivables obtained in the course of providing such services;

(11) providing traveler's check and money order services for customers;

(12) providing correspondent bank services for customers;

(13) providing paying agency and collection agency services for customers;

(14) maintaining restricted reserves (including money or securities) in a segregated account in order to satisfy a capital or reserve requirement imposed by a local banking or securities regulatory authority;

(15) engaging in hedging activities directly related to another activity described herein;

(16) repackaging mortgages and other financial assets into securities and servicing activities with respect to such assets (including the accrual of interest incidental to such activity);

(17) engaging in financing activities typically provided in the ordinary course by an investment bank, such as project financing provided in connection with construction projects, structured finance (including the extension of a loan and the sale of participations or interests in the loan to other financial institutions or investors), and leasing activities to the extent incidental to such financing activities;

(18) providing financial or investment advisory services, investment management services, fiduciary services, or custodial services;

(19) purchasing or selling stock, debt instruments, interest rate or currency futures or other securities or derivative financial products (including notional principal

contracts) from or to customers and holding stock, debt instruments and other securities as inventory for sale to customers, unless the relevant securities or derivative financial products are not held in a dealer capacity;

(20) effecting transactions in securities for customers as a securities broker; and

(21) any other activity that the Secretary of the Treasury determines to be a financing activity conducted by active corporations in the ordinary course of their business.

Qualified banking or financing income of an eligible CFC or QBU of such CFC is determined separately for the CFC and each QBU, taking into account, in the case of an eligible CFC, only items of income, gain, deduction, loss or other items, as well as activities, of such CFC that are not properly allocable to any QBUs. Similarly, in the case of a QBU, qualified banking or financing income is determined by taking into account such applicable items (e.g., income and activities) that are properly allocable to such QBU. Under the **House** bill, the Treasury Secretary is granted the authority to prescribe regulations to carry out the purposes of these exceptions. It is intended that such authority includes the authority to prescribe rules for properly allocating items and activities among branches or units of a CFC, and between the CFC and its branches or units.

Income from local customer transactions.--If the requirements above are satisfied, the exceptions apply to income that is derived from transactions with customers located in the CFC's home country. In addition, the exceptions apply to income that is derived by a QBU of an eligible CFC from transactions with customers located in the QBU's home country.

For example, assume that a CFC is incorporated in the United Kingdom and has operations in France that constitute a QBU. Also assume that the activities of the U.K. CFC's head office together with the activities of

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the French QBU satisfy the substantial activity requirement. Under the **House** bill, income derived by the U.K. CFC from transactions with customers in the United Kingdom is eligible

for the exceptions if substantially all of the activities in connection with the transaction are performed in the United Kingdom by employees of the U.K. CFC, and the income is treated as earned by the U.K. CFC in the United Kingdom for U.K. income tax purposes. In addition, income derived by the French QBU from transactions with customers in France is eligible for the exceptions if substantially all of the activities in connection with the transactions are performed in France by employees of the French QBU, and the income is treated as earned by the French QBU in France for French income tax purposes.

Income from cross border transactions.--If the requirements above are satisfied, the exceptions also apply to income from certain cross border transactions, but only if a higher standard with respect to the substantial activity requirement is satisfied. Under the **House** bill, income derived by a CFC from transactions with customers not located in the CFC's home country or the United States is eligible for the exceptions if the CFC conducts substantial activity with respect to a banking, financing, or similar business in its home country. In addition, income derived by a QBU of an eligible CFC from transactions with customers not located in the QBU's home country or the United States is eligible for the exceptions, but only if the QBU conducts substantial activity with respect to such a business in its home country. For this purpose, the substantial activity requirement is applied by looking only at the activities of the applicable CFC or QBU on a stand-alone basis. Thus, income derived by a QBU from transactions with customers not located in its home country (or in the United States) is eligible for the exceptions if the activities of the QBU itself constitute substantial activities (provided that the other requirements are satisfied).

Consider again the U.K. CFC and the French QBU. If the head office of the U.K. CFC derives income from a transaction with a customer in Germany, the income is eligible for the exceptions if the activities of the CFC itself (without regard to those of the French QBU) satisfy the substantial activity requirement. Alternatively, if the French QBU derives income from a transaction with a German customer, the income is eligible for the exceptions if the activities of

the French QBU itself satisfy the substantial activity requirement.

Home country requirement for income earned with respect to a lending or finance business.--In the case of a lending or finance business, in addition to the requirements described above, the **House** bill includes an additional requirement to qualify for the exceptions in the case of income earned by a CFC which qualifies as an eligible CFC by satisfying the predominantly engaged requirement for an active lending or finance business. For such an eligible CFC, income derived by such CFC is eligible for the exceptions only if such CFC derives more than 30 percent of its gross income directly from the active and regular conduct of a lending or finance business from transactions with customers that are unrelated persons and that are located within the CFC's home country (the ``home country'' requirement). In addition, income derived by a QBU of such an eligible CFC is eligible for the exceptions only if such QBU derives more than 30 percent of its gross income directly from the active and regular conduct of a lending or finance business from transactions with customers that are unrelated persons and that are located within the QBU's home country. For this purpose, it is intended that transactions with customers located in the United States not be taken into account.

The home country requirement is applied on a stand-alone basis to the particular CFC or QBU. Thus, the 30-percent gross income test takes into account only the gross income of a particular CFC (without regard to the income of its QBUs) from transactions with its home-country unrelated customers. Similarly, in the case of a QBU, there is taken into account the gross income of the particular QBU (without regard to the income of the CFC or other QBUs) from transactions with its home-country unrelated customers. Accordingly, if more than 70 percent of the CFC's gross income is derived directly from the active and regular conduct of a lending or finance business from transactions with unrelated customers, and one of the CFC's QBUs satisfies the home country requirement but another QBU does not satisfy such requirement, income derived by the QBU that satisfies the home country requirement is eligible for the exceptions from subpart F (provided that the other requirements are satisfied), but income derived by the

other QBU is not eligible for the exceptions.

Coordination with other rules.--The **House** bill provides that the exceptions under section 954(h) for income derived in the active conduct of a banking, financing, or similar business do not apply to income described in the dealer exception under section 954(c)(2)(C)(ii) (described below) for a dealer in securities which is an eligible CFC that satisfies the predominantly engaged requirement for a securities business.

In addition, it is expected that the Treasury Department and the Internal Revenue Service will issue timely guidance to make currently effective conforming changes to existing regulations in order to reflect the exceptions under section 954(h), including conforming changes to the regulations under section 954(c)(3).

Exception for securities dealers

The **House** bill provides an additional exception from foreign personal holding company income for certain income derived by a securities dealer within the meaning of section 475 (the so-called ``dealer exception''). The dealer exception applies to interest or dividends (or equivalent amounts described in sec. 954(c)(1)(E) or (G)) from any transaction (including a hedging transaction or a transaction consisting of a deposit of collateral or margin described in sec. 956(c)(2)(J)) entered into in the ordinary course of the dealer's trade or business as such a securities dealer, but only if the income is attributable to activities of the dealer in the country in which the dealer is created or organized (or, in the case of a QBU of the dealer, is attributable to activities of the QBU in the country in which the QBU both maintains its principal office and conducts substantial business activity). For this purpose, income is considered to be attributable to activities of the dealer in its country of incorporation (or to a QBU in the country in which the QBU both maintains its principal office and conducts substantial business activity), if such income is attributable to activities performed in such country by employees of the dealer (or QBU), and such income is treated as earned in such country by the dealer (or QBU) for purposes of such country's tax laws. For this purpose, income is considered to be earned in the country in which the dealer is

created or organized (or, in the case of a QBU, in the country in which the QBU both maintains its principal office and conducts substantial business activity), if such income is sourced and allocable to such dealer (or QBU) in such country for purposes of such country's tax laws. It is intended that the dealer exception not apply to income from transactions with persons located in the United States with respect to U.S. securities. This reflects the understanding that the exception from current inclusion under subpart F for income earned by dealers in securities does not apply to activities that would otherwise be conducted in the United States. In addition, it is intended that the dealer exception will apply to interest paid by customers to the dealer on margin loans in connection with sales of securities (provided that the other requirements of the provision are satisfied).

Insurance income

In general.--The **House** bill provides a temporary exception to insurance income under section 953. For purposes of the exception to insurance income, reserves for an exempt insurance or annuity contract are determined in the same manner as under the temporary exception, described below, for foreign personal holding company income relating to certain insurance contracts (sec. 954(i), as added by the **House** bill). For purposes of these provisions, reserves are intended to include discounted unpaid losses or losses incurred, as appropriate, for property and casualty contracts.

Operation of the exception.--The **House** bill provides an exception from insurance income for income derived by a qualifying insurance company that is attributable to the issuing (or reinsuring) of an exempt contract by the qualifying insurance company or a qualifying insurance company branch of such a company, and that is treated as earned by the company or branch in that company's, or branch's, home country for purposes of that country's tax laws. The exception from insurance income does not apply to income attributable to the issuing (or reinsuring) of an exempt contract as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of issuing (or reinsuring a contract that is not an exempt contract). An

exempt contract is an insurance or annuity contract issued or reinsured by a qualifying insurance company or qualified insurance company branch in connection with property in, liability arising out of activity in, or the lives or health of residents of, a country other than the United States.

No contract is treated as an exempt contract unless the qualifying insurance company or branch derives more than 30 percent of its net written premiums from exempt contracts (determined without regard to this sentence) covering applicable home country risks, and with respect to which no policyholder, insured, annuitant, or beneficiary is a related person (within the meaning of sec. 954(d)(3)). Applicable home country risks are risks in connection with property in, liability arising out of activity in, or the lives or health of residents of, the home country of the qualifying insurance company or branch, as the case may be. In all cases, the 30-percent test is applied on a unit-by-unit basis. Accordingly, income derived by a qualifying insurance company branch of a CFC qualifies only if such branch alone satisfies the 30-percent test (without regard to the net written premiums of any other branch). Income derived by the CFC qualifies only if the CFC alone satisfies the 30-percent test without regard to the net written premiums of any other unit or branch of the CFC.

When determinations under the **House** bill are made separately with respect to a qualifying insurance company and its qualifying insurance company branch or branches, then in the case of the qualifying insurance company, only income, gain, or loss and activities of the company not properly allocable or

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attributable to any qualifying insurance company branch are taken into account. In the case of a qualifying insurance company branch, only income, gain, or loss and activities of the branch that are properly allocable or attributable to it are taken into account. Under the **House** bill, the Treasury Secretary is granted the authority to carry out the purposes of these exceptions. It is intended that such authority includes the authority to prescribe rules for properly

allocating items and activities among branches or units of a CFC, and among the CFC and its branches or units.

The home country of a CFC is the country in which the CFC is created or organized. The home country of a qualified business unit that is a qualifying insurance company branch of a qualifying insurance company means the country in which the principal office of such unit is located and in which such unit is licensed, authorized, or regulated by the applicable insurance regulatory body to sell insurance, reinsurance or annuity contracts to persons other than related persons (within the meaning of sec. 954(d)(3)) in that country.

Qualifying insurance company.--A qualifying insurance company is a CFC that meets the following requirements, which are intended to distinguish firms that have a real business nexus with a foreign country or countries from firms that do not. The first requirement is that the CFC be subject to regulation as an insurance (or reinsurance) company by its home country, and that the CFC be licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 954(d)(3)) in its home country.

The second requirement is that the CFC derive more than 50 percent of its aggregate net written premiums from the insurance or reinsurance by the CFC (on an aggregate basis, including qualifying insurance company branches) covering applicable home country risks (as described above) of the CFC or branch, as the case may be. For purposes of this rule, if a policyholder, insured, annuitant, or beneficiary is a related person, then the contract is treated as not covering home country risks. A related person has the meaning set forth in section 954(d)(3). In the case of a qualifying insurance company branch, premiums are taken into account under this second requirement only to the extent that the premiums are treated as earned by the branch in its home country for purposes of that country's tax laws.

The 50-percent test applies on an aggregate basis. For example, assume that a German CFC has a branch in France and a branch in Italy. Assume that \$50 of net written premiums are properly allocable to the Italian branch, \$100 of net

written premiums are properly allocable to the French branch, and \$100 of net written premiums are properly allocable to the CFC in Germany. For the Italian branch, assume \$20 of the \$50, or 40 percent, is from home country risks. For the French branch, assume that \$80 of the \$100, or 80 percent, is from home country risks. For the CFC in Germany, assume that \$60 of the \$100, or 60 percent, is from home country risks. Taking into account the respective amounts and percentages, the CFC has 64 percent of its net written premiums from home country risks on an aggregate basis.

The third requirement is that the CFC be engaged in the insurance business and that it would be subject to tax under subchapter L if it were a domestic corporation. A CFC is considered to be engaged in the insurance business, within the meaning of this provision of the **House** bill, if it operates in a manner consistent with the operation of other bona fide commercial insurance companies that sell insurance products to unrelated parties in its home country, and conducts managerial activities in that country with respect to the major functions of the insurance business. A factor, among others, that could be considered in determining whether it conducts managerial activities in its home country with respect to the major functions of the insurance business may be whether in its home country it exercises key decision making in determining business strategy with respect to the major functions of the insurance business. For purposes of the requirement that the CFC be engaged in the insurance business, activities performed in the home country of the CFC by employees of the CFC and of a related person are taken into account, to the extent that the related person is compensated on an arm's-length basis for the services of such employees and such compensation is includible in the related person's income in such country for purposes of that country's tax laws. For this purpose, a related person has the meaning provided in section 954(d)(3), substituting ``at least 80 percent'' for ``more than 50 percent.'' In determining whether a CFC is engaged in the insurance business, for example, an entity that is not engaged in regular and continuous transactions with persons that are not related persons (as described in the anti-abuse rules) is not considered as engaged in the insurance business.

Qualifying insurance company branch--A qualifying insurance company branch is a qualified business unit of a CFC that meets two requirements. A qualified business unit means any separate and clearly identified unit of a trade or business of a taxpayer which maintains separate books and records (within the meaning of sec. 989(a)). The first requirement is that the unit be licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance or annuity contracts to persons other than related persons (within the meaning of sec. 954(d)(3)) in that country. It is intended that the applicable insurance regulatory body be the regulatory body that has the authority to license, authorize, or regulate with respect to the insurance business in the country where the branch is located and a branch that is regulated by such a body be considered to be regulated in the country where the branch is located. The second requirement is that the CFC (of which the branch is a unit) be a qualifying insurance company, taking the unit into account for purposes of the applicable tests (above) as if it were a qualifying insurance company branch.

Additional requirements in the case of cross border risks

The **House** bill imposes additional requirements with respect to any contract that covers cross border risks (that is, risks other than applicable home country risks), due to the increased concern about mobility of income in cross border business. A contract issued by a qualifying insurance company or qualifying insurance company branch that covers risks other than applicable home country risks is not treated as an exempt contract unless such company or branch, as the case may be, (1) conducts substantial activity in its home country with respect to the insurance business, and (2) performs in its home country substantially all of the activities necessary to give rise to the income generated by the contract.

Whether a CFC or unit thereof is considered to perform in its home country substantial activities with respect to the insurance business is determined under all the facts and circumstances. It is intended that as part of this facts and circumstances analysis in determining whether the activities conducted by the CFC or unit are substantial, all relevant

factors are taken into account, including the overall size of the CFC or unit, the amount of its revenues and expenses, the number of its employees, the ratio of its revenues per employee, the amount of property it owns, and the nature, size and relative significance of the applicable activities conducted by the CFC or unit. Under the **House** bill, the Treasury Secretary is granted the authority to carry out the purposes of these exceptions. It is intended that such authority includes the authority to prescribe regulations relating to whether a CFC or unit is considered to conduct substantial activity.

It also is intended that as part of this facts and circumstances analysis, a CFC or unit is required to conduct substantially all of the activities necessary for the generation of income with respect to the insurance business. Such activities of an insurance business generally depend on the line of business, and could include: designing or tailoring insurance products to meet market or customer requirements; performing actuarial analysis with respect to insurance products; determining investment options for separate account-type products; performing underwriting functions with respect to insurance products; performing analysis for purposes of risk assessment; performing analysis for purposes of setting premium rates; performing analysis for purposes of calculating reserves; performing claims management and adjustment functions; developing marketing strategies, advertising and other public image activities; making (or arranging for) sales to customers; maintaining reserves and surplus (other than excess surplus); making (or arranging for) investments; and collecting from customers.

It further is intended that the performance of back-office functions (including accounting for income or loss, recordkeeping, and routine communicating with customers) not be taken into account in determining whether the substantial activity requirement is satisfied. It also is intended that the relevant activities of the business may be modified by Treasury regulation to take into account the actual operation of lines of insurance business and future changes in the operation of lines of insurance business.

It further is intended that activities performed in the CFC's or unit's home country by employees of a related person

(within the meaning of sec. 954(d)(3), substituting ``at least 80 percent'' for ``more than 50 percent'') be taken into account, to the extent that the related person is compensated on an arm's-length basis for the services of such employees and such compensation is includible in the related person's income in that country for purposes of such country's tax laws. It also is intended that the activities of such a related person are not again taken into account in determining whether another CFC or unit (e.g., the related person) satisfies the substantial activity requirement.

In addition, with respect to a contract issued by a qualifying insurance company or qualifying insurance company branch that covers risks other than applicable home country risks, the qualifying insurance company or qualifying insurance company branch is required to perform in its home country substantially all of the activities necessary to give rise to the income generated by the contract.

Foreign personal holding company income with respect to
insurance

The **House** bill provides a temporary exception from foreign personal holding company income for certain investment income derived by a qualifying insurance company and by certain qualifying insurance company branches.

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The exception applies to income (received from a person other than a related person) from investments made by a qualifying insurance company or qualifying insurance company branch of its reserves allocable to exempt contracts or 80 percent of its unearned premiums from exempt contracts. For this purpose, an exempt contract has the meaning provided under the **House** bill.

In the case of exempt contracts that are property, casualty, or health insurance contracts, unearned premiums and reserves mean unearned premiums and reserves for losses incurred determined using the methods and interest rates that would be used if the qualifying insurance company or qualifying insurance company branch were subject to tax under subchapter L of the Code, with certain modifications. For this purpose, unearned premiums and losses incurred are

determined in accordance with section 832(b) and 846 of the Code (as well as any other rules applicable to a U.S. property and casualty insurance company with respect to such amounts). However, in applying these rules, there is substituted for the applicable Federal interest rate the interest rate determined for the functional currency of the company or branch and which (except as provided by the Treasury Secretary) is calculated in the same manner as the Federal mid-term rate under section 1274(d). In addition, there is substituted for the loss payment pattern under section 846 the appropriate foreign loss payment pattern determined by the Treasury Secretary for the line of business. In the case of health insurance contracts, it is intended that appropriate foreign mortality and morbidity tables be used for this purpose. In the case of disability contracts (other than credit disability) which are subject to section 846(f)(6)(A), it is intended that mortality and morbidity tables reasonably reflect appropriate experience and foreign mortality and morbidity factors.

In the case of an exempt contract that is a life insurance or annuity contract, reserves for such contracts are determined as follows. The reserves equal the greater of: (1) the net surrender value of the contract (as defined in section 807(e)(1)(A)), including in the case of pension plan contracts; or (2) the amount determined by applying the tax reserve method that would apply if the qualifying insurance company were subject to tax under Subchapter L of the Code, with the following modifications. First, there is substituted for the applicable Federal interest rate an interest rate determined for the functional currency of the qualifying insurance company's home country, calculated (except as provided by the Treasury Secretary in order to address insufficient data and similar problems) in the same manner as the mid-term applicable Federal interest rate ('`AFR'') (within the meaning of section 1274(d)). Second, there is substituted for the prevailing State assumed rate the highest assumed interest rate permitted to be used for purposes of determining statement reserves in the foreign country for the contract. Third, in lieu of U.S. mortality and morbidity tables, there is applied mortality and morbidity tables that reasonably reflect the current mortality and morbidity risks

in the foreign country. Fourth, the Treasury Secretary may provide that the interest rate and mortality and morbidity tables of a qualifying insurance company may be used for one or more of its branches when appropriate.

In no event may the reserve for any contract at any time exceed the foreign statement reserve for the contract, reduced by any catastrophe, equalization, or deficiency reserve or any similar reserve. In the case of a contract that is a property, casualty, or health insurance contract, it is intended that this limitation applies with respect to unpaid losses by line of business (similar to sec. 846(a)(3)). These rules apply whether the contract is regulated as a property, casualty, health, life insurance, annuity, or any other type of contract.

The **House** bill also provides an exception from foreign personal holding company income for income from investment of assets equal to (1) one-third of premiums earned during the taxable year on exempt contracts regulated in the country in which sold as property, casualty, or health insurance contracts, and (2) 10 percent of reserves (determined for purposes of the provision) for contracts regulated in the country in which sold as life insurance or annuity contracts. In no event does the exception from foreign personal holding company income apply to investment income with respect to excess surplus.

To prevent the shifting of relatively high-yielding assets to generate investment income that qualifies under this temporary exception, the **House** bill provides that, except as provided by the Treasury Secretary, income is allocated to contracts as follows. In the case of a separate account-type contract (including a variable contract not meeting the requirements of section 817), the income credited under the contract is allocable only to that contract. Income not so allocated generally is allocated ratably among all contracts that are not separate account-type contracts, subject to the anti-abuse rules (described below).

Other definitions and anti-abuse rules relating to
insurance

The **House** bill provides that the present-law statutory definition of a life insurance contract (under secs. 7702 or 101(f)), as well as the distribution on death requirement of

section 72(s) and the diversification requirement of section 817(h), do not apply for purposes of determining reserves for a life insurance or annuity contract under sections 953 and 954 of the Code, provided that neither the policyholders, the insureds or annuitants, nor the beneficiaries with respect to the contract are U.S. persons.

The **House** bill provides a rule coordinating the exception to insurance income with the present-law special rule for certain captive insurance companies (sec. 953(c)). Under the coordination rule, the scope of the present-law rule that related party insurance income is treated as subpart F income is retained. The exception under the **House** bill from the definition of insurance income does not include income derived from exempt contracts that cover risks other than applicable home country risks, for purposes of the rules of section 953(c).

The anti-abuse rules applicable under the subpart F exceptions provided in section 954(h) (other than sec. 954(h)(7)(B)) (as added by the **House** bill) apply to these exceptions for insurance. In addition, the **House** bill provides anti-abuse rules applicable under the exceptions from subpart F income relating to insurance.

The **House** bill provides that there shall be disregarded any item of income, gain, loss, or deduction of, or derived from, an entity which is not engaged in regular and continuous transactions with persons that are not related persons. This rule is intended, for example, to address the use of fronting companies or similar entities (that are not engaged in regular and continuous transactions with persons that are not related persons) to reinsure risks in a manner to cause a CFC or branch to qualify as a qualifying insurance company or qualifying insurance company branch by meeting percentage requirements with respect to home country risks that it would not otherwise meet.

The **House** bill provides that there shall be disregarded any change in the method of computing reserves or any other transaction or transactions one of the principal purposes of which is the acceleration or deferral of any item in order to claim the benefits of these exceptions.

The **House** bill also provides that a contract is not treated

as an exempt contract (as described above), if any policyholder, insured or annuitant, or beneficiary is a resident of the United States, the contract was marketed to the U.S. resident, and was written to cover a risk outside the United States.

The **House** bill also provides that a contract is not treated as an exempt contract, if the contract covers risks located both within and outside the United States, and the qualifying insurance company or branch does not maintain such records, and file such reports, with respect to the contract as the Treasury Secretary requires. It is intended that documentation that is contemporaneous with the issuance of the contract be maintained by the qualifying insurance company or branch.

The **House** bill also provides that the Treasury Secretary may prescribe rules for the allocation of contracts (and income from contracts) among two or more qualifying insurance company branches of a qualifying insurance company in order to clearly reflect the income of such branches.

The **House** bill also provides that premiums from a contract are treated as not covering home country risks (and are treated as covering risks other than home country risks) for purposes of the tests for 30 percent and 50 percent, respectively, of net written premiums if the contract reinsures a contract issued or reinsured by a related person (within the meaning of sec. 954(d)(3)).

The **House** bill also provides that the Treasury Secretary may prescribe regulations as may be necessary or appropriate to carry out the purposes of the exceptions from insurance income and foreign personal holding company income provided under sections 953(e) and 954(i) (as added by the **House** bill).

Other anti-abuse rules

The **House** bill generally includes the anti-abuse rules of the present-law provision, with certain further refinements. Under the **House** bill, the anti-abuse rules provide that items with respect to a transaction or series of transactions are disregarded if one of the principal purposes of the transaction or transactions is to qualify income or gain for these exceptions, including any transaction or a series of

transactions a principal purpose of which is the acceleration or deferral of any item in order to claim the benefits of these exceptions. In addition, the anti-abuse rules provide that items of an entity which is not engaged in regular and continuous transactions with customers which are not related persons are disregarded. Moreover, items with respect to a transaction or series of transactions are disregarded if one of the principal purposes of the transaction or transactions is to qualify income or gain for these exceptions, including utilizing or doing business with: (1) one or more entities in order to satisfy any home country requirement, or (2) a special purpose entity or arrangement, including a securitization or financing arrangement or any similar entity or arrangement. Finally, the anti-abuse rules provide that a related person, officer, director, or employee with respect to any CFC (or QBU) which otherwise would be treated as a customer of such corporation or unit with respect to any transaction is not treated as a customer, if a principal purpose of such transaction is to satisfy any requirement for these exceptions.

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Sale of assets of an active financing business

The **House** bill includes a modification to address the treatment of sales of assets of an active financing business. In general, foreign personal holding company income includes net gains from the sale or exchange of property that gives rise to dividends, interest, royalties, rents, or annuities. The **House** bill provides an exception from this rule for income that qualifies for the exception from subpart F for income derived in the active conduct of a banking, financing, or similar business. Under the **House** bill, foreign personal holding company income does not include net gains from the sale or exchange of property that gives rise to dividends, interest, royalties, rents, or annuities if such property gives rise to income not treated as foreign personal holding company income for the taxable year by reason of the exceptions under section 954(h) or (i) (as added by the **House** bill) for income derived in the active conduct of a banking, financing, or similar business or in the conduct of an

insurance business. It is intended that this exception applies only to the extent that, prior to its disposition, the property was held to generate or generated income which qualifies for the exceptions under section 954(h) or (i) (and such property was not so held for a principal purpose of taking advantage of such exception).

Exceptions from foreign base company services income

The present-law provision includes a corresponding exception from foreign base company services income for income derived by a CFC from the performance of services that are directly related to a transaction entered into by the CFC that gives rise to income that is eligible for these exceptions from subpart F. Under the **House** bill, foreign base company services income does not include income that is not treated as foreign personal holding company income by reason of the exceptions under section 954(h) or 954(i) or the securities dealer exception under section 954(c)(2)(C)(ii), or treated as exempt insurance income by reason of section 953(e) (as added by the **House** bill).

Other matters

Nothing in this provision is intended to alter the Treasury Department's agreement, as reflected in Notice 98-35, not to finalize regulations regarding so-called hybrid entities prior to January 1, 2000, in order to allow Congress the opportunity to fully consider the tax policy issues involved.

Effective date

The provision applies only to taxable years of foreign corporations beginning in 1999, and to taxable years of U.S. shareholders with or within which such taxable years of foreign corporations end.

Senate Amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that extends for one year the present-law temporary exceptions from foreign personal holding company income and foreign base company services income for income that is derived in the active conduct of a banking, financing, insurance or similar business.

Effective date.--The provision applies only to the first full taxable year of a foreign corporation beginning in 1998 and to the taxable year of such corporation immediately

following such first full taxable year, and to taxable years of U.S. shareholders with or within which such taxable years of such foreign corporation end. If a foreign corporation does not have such a first full taxable year beginning in 1998, the provision applies only to the first taxable year of the foreign corporation beginning in 1999, and to taxable years of U.S. shareholders with or within which such taxable year of such foreign corporation ends.

Conference Agreement

The conference agreement follows the **House** bill.

F. Disclosure of Return Information to Department of Education in Connection with Income Contingent Loans

(sec. 106 of the **house** bill, sec. 107 of S. 2622, and sec. 6103(1)(13) of the Code)

Present Law

Under section 6103(1)(13) of the Code, the Secretary of Treasury was authorized to disclose to the Department of Education certain return information with respect to any taxpayer who has received an ``applicable student loan.'' An ``applicable student loan'' is any loan made under (1) part D of title IV of the Higher Education Act of 1965 or (2) parts B or E of title IV of the Higher Education Act of 1965 which is in default and has been assigned to the Department of Education, if the loan repayment amounts are based in whole or in part on the taxpayer's income. The Secretary is permitted to disclose only taxpayer identity information and the adjusted gross income of the taxpayer. The Department of Education may use the information only to establish the appropriate income contingent repayment amount for an applicable student loan.

The disclosure authority under section 6103(1)(13) terminated with respect to requests made after September 30, 1998.

House Bill

The **House** bill reinstates the disclosure authority under section 6103(1)(13) with respect to requests made after the date of enactment and before October 1, 2003.

Effective date.--The disclosure authority under section 6103(1)(13) applies to requests made after the date of enactment and before October 1, 2003.

Senate Amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that is similar to the provision contained in the **House** bill. S. 2622 reinstates the disclosure authority under section 6103(1)(13) with respect to requests made after the date of enactment and before October 1, 2004.

Conference Agreement

The conference agreement follows the **House** bill.

Subtitle B--Trade Provisions

A. Extension of the Generalized System of Preferences

(sec. 111 of the **house** bill and s. 2622)

Present Law

Title V of the Trade Act of 1974, as amended, grants authority to the President to provide duty-free treatment on imports of certain articles from beneficiary developing countries subject to certain conditions and limitations. To qualify for GSP privileges, each beneficiary country is subject to various mandatory and discretionary eligibility criteria. Import sensitive products are ineligible for GSP. The GSP program, which is designed to promote development through trade rather than traditional aid programs, expired after June 30, 1998.

House Bill

The **House** bill reauthorizes the GSP program to terminate after December 31, 1999. Refunds are authorized, upon request of the importer, for duties paid between July 1, 1998, and the date of enactment of the bill.

Effective date.--The **House** bill provision is effective for duties paid on or after July 1, 1998, and before January 1, 2000.

Senate Amendment

No provision. However, a provision contained in S. 2622, as introduced by Senators Roth and Moynihan, is the same as the **House** bill.

Conference Agreement

The conference agreement is the same as the **House** bill and S. 2622, except that it reauthorizes the GSP program through June 30, 1999.

Effective date.--The provision is effective for duties paid on or after July 1, 1998, and before July 1, 1999.

B. Extension of the Trade Adjustment Assistance Program

(sec. 112 of S. 2622)

Present Law

Title II of the Trade Act of 1974, as amended, authorizes three trade adjustment assistance (TAA) programs for the purpose of providing assistance to individual workers and firms that are adversely affected by the reduction of barriers to foreign trade. Those programs include--

(1) The general TAA program for workers provides training and income support for workers adversely affected by import competition.

(2) The TAA program for firms provides technical assistance to qualifying firms.

(3) The third program, the North American Free Trade Agreement ('`NAFTA'') program for workers (established by the North American Free Trade Agreement Implementation Act of 1993) provides training and income support for workers adversely affected by trade with or production shifts to Canada and/or Mexico.

All three TAA programs expired on September 30, 1998. The TAA program for firms is also subject to annual appropriations.

House Bill

No provision.

Senate Amendment

No provision. However, a provision of S. 2622, as introduced by Senators Roth and Moynihan, reauthorizes each of the three TAA programs through June 30, 1999.

Effective date.--The provision is effective on the date of enactment.

Conference Agreement

The conference agreement reauthorizes the three TAA programs through June 30, 1999.

Effective date.--The provision is effective on the date of enactment.

TITLE II. OTHER PROVISIONS

Subtitle A--Provisions Relating to Individuals

A. Personal Credits Fully Allowed Against Regular Tax Liability During 1998

(sec. 204 of s. 2622 and sec. 26 of the code)

Present Law

Present law provides for certain nonrefundable personal tax credits (i.e., the dependent care credit, the credit for the elderly and disabled, the adoption credit, the child tax credit, the credit for interest on certain home mortgages, the HOPE Scholarship and Lifetime Learning credits, and the D.C. homebuyer's credit). Generally, these credits are allowed only to the extent that the individual's regular income tax liability exceeds the individual's tentative minimum tax (determined without regard to the AMT foreign tax credit).

The tentative minimum tax is an amount equal to (1) 26 percent of the first \$175,000 (\$87,500 in the case of a married individual filing a separate return) of alternative minimum taxable income ('`AMTI'') in excess of a phased-out exemption amount and (2) 28 percent of the remaining AMTI. The maximum tax rates on net capital gain used in computing the tentative minimum tax are the same

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as under the regular tax. AMTI is the individual's taxable income adjusted to take account of specified preferences and

adjustments. The exemption amounts are: (1) \$45,000 in the case of married individuals filing a joint return and surviving spouses; (2) \$33,750 in the case of other unmarried individuals; and (3) \$22,500 in the case of married individuals filing a separate return, estates and trusts. The exemption amounts are phased out by an amount equal to 25 percent of the amount by which the individual's AMTI exceeds (1) \$150,000 in the case of married individuals filing a joint return and surviving spouses, (2) \$112,500 in the case of other unmarried individuals, and (3) \$75,000 in the case of married individuals filing separate returns or an estate or a trust. These amounts are not indexed for inflation.

For families with three or more qualifying children, an additional child credit is provided which may offset the liability for social security taxes to the extent that tax liability exceeds the amount of the earned income credit. The additional child credit is reduced by the amount of the individual's minimum tax liability (i.e., the amount by which the tentative minimum tax exceeds the regular tax liability).

House Bill

No provision.

Senate Amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that allows the nonrefundable personal credits to offset the individual's regular tax in full for taxable years beginning in 1998 (as opposed to only the amount by which the regular tax exceeds the tentative minimum tax, as under present law).

In addition, the provision of present law that reduces the additional child credit by the amount of an individual's AMT does not apply for taxable years beginning in 1998.

Effective date.--The provisions apply to taxable years beginning in 1998.

Conference Agreement

The conference agreement contains the provisions in S. 2622.

B. Increase Deduction for Health Insurance Expenses of Self-Employed Individuals

(sec. 203 of the **House** bill, sec. 201 of S. 2622, and sec. 162(1)(1) of the Code)

Present law

Under present law, self-employed individuals are entitled to deduct a portion of the amount paid for health insurance for the self-employed individual and the individual's spouse and dependents. The deduction for health insurance expenses of self-employed individuals is not available for any month in which the taxpayer is eligible to participate in a subsidized health plan maintained by the employer of the taxpayer or the taxpayer's spouse. The deduction is available in the case of self insurance as well as commercial insurance. The self-insured plan must in fact be insurance (e.g., there must be appropriate risk shifting) and not merely a reimbursement arrangement.

The portion of health insurance expenses of self-employed individuals that is deductible is 45 percent for taxable years beginning in 1998 and 1999, 50 percent for taxable years beginning in 2000 and 2001, 60 percent for taxable years beginning in 2002, 80 percent for taxable years beginning in 2003, 2004, and 2005, 90 percent for taxable years beginning in 2006, and 100 percent for taxable years beginning in 2007 and thereafter.

Under present law, employees can exclude from income 100 percent of employer-provided health insurance.

House bill

The **House** bill increases the deduction for health insurance expenses of self-employed individuals to 100 percent for taxable years beginning in 2003 and later.

Effective date.--The **House** bill provision is effective for taxable years beginning after December 31, 2002.

Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, increases the deduction for health insurance of self-employed individuals to 70 percent for taxable years beginning in 2001 and to 100 percent for taxable years beginning in 2002 and thereafter.

Effective date.--The provision in S. 2622 is effective for taxable years beginning after December 31, 2000.

Conference agreement

The conference agreement increases the deduction for health insurance expenses of self-employed individuals to 60 percent for taxable years beginning in 1999 through 2001, to 70 percent for taxable years beginning in 2002, and to 100 percent for taxable years beginning in 2003 and thereafter.

Effective date.--The provision is effective for taxable years beginning after December 31, 1998.

C. Modification of Individual Estimated Tax Safe Harbors

(sec. 205 of the **House** bill and sec. 6654 of the Code)

Present law

Under present law, an individual taxpayer generally is subject to an addition to tax for any underpayment of estimated tax. An individual generally does not have an underpayment of estimated tax if he or she makes timely estimated tax payments at least equal to: (1) 100 percent of the tax shown on the return of the individual for the preceding year (the ``100 percent of last year's liability safe harbor'') or (2) 90 percent of the tax shown on the return for the current year. The 100 percent of last year's liability safe harbor is generally modified to be a 110 percent of last year's liability safe harbor for any individual with an AGI of more than \$150,000 as shown on the return for the preceding taxable year, except that it is 105 percent of last year's liability for taxable years beginning in 1999, 2000, and 2001, and 112 percent of last year's liability for taxable years beginning in 2002. If a married individual files a separate return for the year for which an estimated tax installment payment was due, the \$150,000 amount becomes \$75,000.

House bill

For taxable years beginning in 2000 and 2001, the 105 percent of last year's liability safe harbor for any individual with an AGI of more than \$150,000 as shown on the return for the preceding taxable year is modified to be a 106 percent of last year's liability safe harbor.

Effective date.--The provision is effective for taxable years beginning in 2000 and 2001.

Senate amendment

No provision.

Conference agreement

The conference agreement follows the **House** bill.

Subtitle B--Provisions Relating to Farmers

A. Permanent Extension of Income Averaging for Farmers

(sec. 103 of the **House** bill, sec. 203 of S. 2622, and sec. 1301 of the Code)

Present law

An individual engaged in a farming business may elect to compute his or her current year tax liability by averaging, over the prior three-year period, all or a portion of the taxable income that is attributable to the farming business.

In general, an individual who makes the election (1) designates all or a portion of his or her taxable income attributable to any farming business from the current year as ``elected farm income;'' (2) allocates one-third of the elected farm income to each of the three prior taxable years; and (3) determines the current year section 1 tax liability by combining (a) his or her current year section 1 tax liability excluding the elected farm income allocated to the three prior taxable years, plus (b) the increases in the section 1 tax liability for each of the three prior taxable years caused by including one-third of the elected farm income in each such year. Any allocation of elected farm income pursuant to the election applies for purposes of any election in a subsequent taxable year.

(7) The amount of elected farm income of a taxpayer for a taxable year may not exceed the taxable income attributable to any farming business for the year.

The provision does not apply for employment tax purposes, or to an estate or a trust. The provision also does not apply for purposes of the alternative minimum tax. The provision is effective for taxable years beginning after December 31,

1997, and before January 1, 2001.

House bill

The provision permanently extends the income averaging provision for farmers.

Effective date.-The provision is effective for taxable years beginning after December 31, 2000.

Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that is the same as the provision contained in the **House** bill.

Conference agreement

The conference agreement follows the **House** bill.

B. Farm Production Flexibility Contract Payments

(sec. 202 of the **house** bill and s. 2622)

Present law

A taxpayer generally is required to include an item in income no later than the time of its actual or constructive receipt, unless such amount properly is accounted for in a different period under the taxpayer's method of accounting. If a taxpayer has an unrestricted right to demand the payment of an amount, the taxpayer is in constructive receipt of that amount whether or not the taxpayer makes the demand and actually receives the payment.

The Federal Agriculture Improvement and Reform Act of 1996 (the ``FAIR Act'') provides for production flexibility contracts between certain eligible owners and producers and the Secretary of Agriculture. These contracts generally cover crop years from 1996 through 2002. Annual payments are made under such contracts at specific times during the Federal government's fiscal year. Section 112(d)(2) of the FAIR Act provides that one-half of each annual payment is to be made on either December 15 or January 15 of the fiscal year, at the option of the recipient.\8\ This option to receive the payment on December 15 potentially results in the constructive receipt (and thus potential inclusion in income) of one-half of the annual payment at that time, even if the option to receive the amount on January 15 is elected.

\8\ This rule applies to fiscal years after 1996. For fiscal year 1996, this payment was to be made not later than 30 days after the production flexibility contract was entered into.

The remaining one-half of the annual payment must be made no later than September

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30 of the fiscal year. The Emergency Farm Financial Relief Act of 1998 added section 112(d)(3) to the FAIR Act which provides that all payments for fiscal year 1999 are to be paid at such time or times during fiscal year 1999 as the recipient may specify. Thus, the one-half of the annual amount that would otherwise be required to be paid no later than September 30, 1999, can be specified for payment in calendar year 1998. This potentially results in the constructive receipt (and thus required inclusion in taxable income) of such amounts in calendar year 1998, whether or not the amounts actually are received or the right to their receipt is fixed.

House bill

The time a production flexibility contract payment under the FAIR Act properly is includible in income would be determined without regard to the options granted by section 112(d)(2) (allowing receipt of one-half of the annual payment on either December 15 or January 15 of the fiscal year) or section 112(d)(3) (allowing the acceleration of all payments for fiscal year 1999) of that Act.

Effective date.--The provision is effective for production flexibility contract payments made under the FAIR Act in taxable years ending after December 31, 1995.

Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that is the same as the provision contained in the **House** bill.

Conference agreement

The conference agreement follows the **House** bill.

C. Extend the Net Operating Loss Carryback Period for Farmers

(sec. 212 of h.r. 4579 and sec. 172 of the code)

Present law

A net operating loss ('`NOL'') is, generally, the amount by which business deductions of a taxpayer exceed business gross income. An NOL may be carried back two years and carried forward 20 years to offset taxable income in such years. A taxpayer may elect to forgo the carryback of an NOL. In the case of an NOL (1) arising from casualty or theft losses of individual taxpayers, or (2) attributable to Presidentially declared disasters for taxpayers engaged in a farming business or a small business, the NOL can be carried back three years. A farming business includes the trade or business of farming, as well as the trade or business of operating a nursery or sod farm, or the raising or harvesting of certain trees.\9\ Special rules apply to real estate investment trusts (no carrybacks), specified liability losses (10-year carryback), and excess interest losses (no carrybacks).

\9\ For this purpose, the term ``farming business'' is defined as in sec. 263A(e)(4).

A carry back of an NOL will result in the refund of Federal income tax for the carryback year. A carry forward of an NOL will reduce Federal income tax for the carryforward year.

House bill

No provision. However, H.R. 4579, as passed by the **House** of Representatives, contains a provision that provides a special five-year carryback period for a farming loss, regardless of whether the loss was incurred in a Presidentially declared disaster area. The carryforward period remains at 20 years. A ``farming loss'' is defined as the amount of any net operating loss attributable to the income and deductions of a farming business (as defined in section 263A(e)(4)). A farming loss cannot exceed the taxpayer's NOL for the taxable year. In calculating the amount of a taxpayer's NOL carrybacks, the portion of the NOL that is attributable to a farming loss is treated as a separate NOL and is taken into

account after the remaining portion of the NOL for the taxable year.

A taxpayer can elect to forgo the five-year carryback period for a farming loss. The election to forgo the five-year carryback period is made in the manner prescribed by the Secretary of the Treasury and must be made by the due date of the return (including extensions) for the year of the loss. The election is irrevocable. If a taxpayer elects to forgo the five-year carryback period, then the farming losses are subject to the rules that otherwise would have applied under section 172 absent the five-year rule. The three-year carryback period continues to apply to an NOL incurred in a Presidentially declared disaster area if such NOL is not eligible for the five-year carryback period.

Effective date.--The provision is effective for NOLs arising in taxable years beginning after December 31, 1997.

Senate amendment

No provision.

Conference agreement

The conference agreement follows the provision in H.R. 4579.

SUBTITLE C--MISCELLANEOUS PROVISIONS

A. Increase State Volume Limits on Private Activity Tax-Exempt Bonds

(sec. 204 of the **house** bill and sec. 146 of the code)

Present Law

Interest on bonds issued by States and local governments is excluded from income if the proceeds of the bonds are used to finance activities conducted and paid for by the governmental units (Code sec. 103). Interest on bonds issued by these governmental units to finance activities carried out and paid for by private persons ('`private activity bonds'') is taxable unless the activities are specified in the Internal Revenue Code. Private activity bonds on which interest may be tax-exempt include bonds for privately operated transportation facilities (e.g., airports, docks and wharves, mass transit, and high speed rail facilities), privately

owned and/or provided municipal services (e.g., water, sewer, solid waste disposal, and certain electric and heating facilities), economic development (e.g., small manufacturing facilities and redevelopment in economically depressed areas), and certain social programs (e.g., low-income rental housing, qualified mortgage bonds, student loan bonds, and exempt activities of charitable organizations described in Code sec. 501(c)(3)).

The volume of tax-exempt private activity bonds that States and local governments may issue for most of these purposes in each calendar year is limited by State-wide volume limits. The current annual volume limit for any State is \$50 per resident of the State or \$150 million if greater. The volume limits do not apply to private activity bonds to finance airports, docks and wharves, certain governmentally owned, but privately operated solid waste disposal facilities, certain high speed rail facilities, and to certain types of private activity tax-exempt bonds that are subject to other limits on their volume (qualified veterans' mortgage bonds and certain ``new'' empowerment zone and enterprise community bonds).

House Bill

The **House** bill increases the present-law annual State private activity bond volume limits to \$75 per resident of each State or \$225 million (if greater) beginning in calendar year 2007. The increase is phased-in as follows, beginning in calendar year 2003:

Volume limit:	Calendar year
\$55 per resident (\$165 million if greater).....	2003
\$60 per resident (\$180 million if greater).....	2004
\$65 per resident (\$195 million if greater).....	2005
\$70 per resident (\$210 million if greater).....	2006

Effective date.--The provision is effective beginning in calendar year 2003.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the **House** bill.

B. Comprehensive Study of Recovery Periods and Depreciation Methods
Under Section 168

(sec. 201 of the **house** bill)

Present Law

A taxpayer is allowed to deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property that is used in a trade or business or is held for the production of income. For most tangible personal and real property placed in service after 1986, the amount of the deductible allowance is determined under section 168 using the applicable recovery period, the applicable depreciation method, and the applicable convention specified in section 168.

For some types of assets, the applicable recovery period of an asset is provided in section 168. In other cases, the recovery period of an asset is determined by reference to its class life. The class life of an asset may be provided by section 168, or may be determined with regard to the list of class lives provided by the Treasury that was in effect on January 1, 1986. The Treasury Department is required to monitor and analyze actual experience with respect to all depreciable assets.

The applicable depreciation method determines the rate at which the cost of the property is recovered. In general, the applicable depreciation method specified in section 168 varies with the recovery period of the property. For property with a recovery period of 10 years or less, the applicable method is the 200 percent declining balance method, switching to straight-line in the first year in which that method yields a larger allowance. The 150 percent declining balance, (switching to straight-line) is the applicable method for property with a recovery period of 15 or 20 years, as well as for all property used in the trade or business of farming. The straight-line method must be used for property with a longer recovery period, as well as for certain specified types of property.

The applicable convention determines the point of time during the year that the property is considered placed in

service. Applicable conventions specified in section 168 include the mid-year, the mid-quarter and the mid-month conventions.

House Bill

The Secretary of the Treasury (or his delegate) is directed to conduct a comprehensive study of the recovery periods and depreciation methods under section 168 of the Code, and to provide recommendations for determining such periods and methods in a more rational manner. The Secretary of the Treasury (or his delegate) is directed to submit the results of the study and recommendations to the **House** Ways and Means and Senate Finance Committees by March 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the **House** bill.

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C. State Election to Exempt Student Employees From Social Security

(sec. 206 of the **house** bill)

Present law

The Social Security Amendments of 1972 provided an opportunity for States to obtain exemptions from Social Security coverage for student employees of public schools, colleges, and universities. States choosing to opt out had to do so prior to January 1, 1974. Most States did. Student employees in these States do not have to pay FICA taxes on their wages, allowing them to keep more of their earnings.

House bill

The **House** bill allows a limited window of time (January 1 through March 31, 1999) for States to modify existing State agreements to exempt students (including graduate assistants) from Social Security coverage who are employed by a public school, university, or college in a nonexempted State.

Effective date.--The provision permitting States to modify existing agreement is effective with respect to services

performed after June 30, 2000.

Senate amendment

No provision.

Conference agreement

The conference agreement follows the **House** bill.

TITLE III.--REVENUE OFFSET PROVISIONS

A. Treatment of Certain Deductible Liquidating Distributions of Regulated Investment Companies and Real Estate Investment Trusts

(sec. 301 of the **house** bill, sec. 301 of s. 2622, and secs. 332 and 334 of the code)

Present law

Regulated investment companies ('`RICs'') and real estate investment trusts ('`REITs'') are allowed a deduction for dividends paid to their shareholders. The deduction for dividends paid includes amounts distributed in liquidation which are properly chargeable to earnings and profits, as well as, in the case of a complete liquidation occurring within 24 months after the adoption of a plan of complete liquidation, any distribution made pursuant to such plan to the extent of earnings and profits. Rules that govern the receipt of dividends from RICs and REITs generally provide for including the amount of the dividend in the income of the shareholder receiving the dividend that was deducted by the RIC or REIT. Generally, any shareholder realizing gain from a liquidating distribution of a RIC or REIT includes the amount of gain in the shareholder's income. However, in the case of a liquidating distribution to a corporation owning 80-percent of the stock of the distributing corporation, a separate rule generally provides that the distribution is tax-free to the parent corporation. The parent corporation succeeds to the tax attributes, including the adjusted basis of assets, of the distributing corporation. Under these rules, a liquidating RIC or REIT might be allowed a deduction for amounts paid to its parent corporation, without a corresponding inclusion in the income of the parent corporation, resulting in income being subject to no tax.

A RIC or REIT may designate a portion of a dividend as a capital gain dividend to the extent the RIC or REIT itself has a net capital gain, and a RIC may designate a portion of the dividend paid to a corporate shareholder as eligible for the 70-percent dividends-received deduction to the extent the RIC itself received dividends from other corporations. If certain conditions are satisfied, a RIC also is permitted to pass through to its shareholders the tax-exempt character of the RIC's net income from tax-exempt obligations through the payment of ``exempt interest dividends,'' though no deduction is allowed for such dividends.

House bill

Any amount which a liquidating RIC or REIT may take as a deduction for dividends paid with respect to an otherwise tax-free liquidating distribution to an 80-percent corporate owner is includible in the income of the recipient corporation. The includible amount is treated as a dividend received from the RIC or REIT. The liquidating corporation may designate the amount distributed as a capital gain dividend or, in the case of a RIC, a dividend eligible for the 70-percent dividends received deduction or an exempt interest dividend, to the extent provided by the RIC or REIT provisions of the Code.

The provision does not otherwise change the tax treatment of the distribution to the parent corporation or to the RIC or REIT. Thus, for example, the liquidating corporation will not recognize gain (if any) on the liquidating distribution and the recipient corporation will hold the assets at a carryover basis, even where the amount received is treated as a dividend.

Effective date.--The provision is effective for distributions on or after May 22, 1998, regardless of when the plan of liquidation was adopted. No inference is intended regarding the treatment of such transactions under present law.

Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains a provision that is the same as the provision contained in the **House** bill.

Conference agreement

The conference agreement follows the **House** bill.

B. Add Vaccines Against Rotavirus Gastroenteritis to the List of
Taxable Vaccines

(sec. 302 of the **house** bill, sec. 4 of s. 2616, and sec. 4132 of the
code)

Present law

A manufacturer's excise tax is imposed at the rate of 75 cents per dose on the following vaccines routinely recommended for administration to children: diphtheria, pertussis, tetanus, measles, mumps, rubella, polio, HIB (haemophilus influenza type B), hepatitis B, and varicella (chicken pox). Amounts equal to net revenues from this excise tax are deposited in the Vaccine Injury Compensation Trust Fund.

House bill

The **House** bill adds any vaccine against rotavirus gastroenteritis to the list of taxable vaccines.

Effective date.--The provision is effective for vaccines sold by a manufacturer or importer after the date of enactment.

Senate amendment

No provision. However, S. 2616 (the Medicare Home Health Fair Payment Act), as introduced by Senators Roth and Moynihan, contains a provision that is the same as the provision contained in the **House** bill.

Conference agreement

The conference agreement follows the **House** bill.

C. Clarify and Expand Mathematical Error Procedures

(sec. 303 of the **House** bill, sec. 3 of S. 2616, and sec. 6213 of the
Code)

Present law

Taxpayer identification numbers ('`TINs'')

The IRS may deny a personal exemption for a taxpayer, the

taxpayer's spouse or the taxpayer's dependents if the taxpayer fails to provide a correct TIN for each person for whom the taxpayer claims an exemption. This TIN requirement also indirectly effects other tax benefits currently conditioned on a taxpayer being able to claim a personal exemption for a dependent (e.g., head-of-household filing status and the dependent care credit). Other tax benefits, including the adoption credit, the child tax credit, the Hope Scholarship credit and Lifetime Learning credit, and the earned income credit also have TIN requirements. For most individuals, their TIN is their Social Security Number ('`SSN''). The mathematical and clerical error procedure currently applies to the omission of a correct TIN for purposes of personal exemptions and all of the credits listed above except for the adoption credit.

Mathematical or clerical errors

The IRS may summarily assess additional tax due as a result of a mathematical or clerical error without sending the taxpayer a notice of deficiency and giving the taxpayer an opportunity to petition the Tax Court. Where the IRS uses the summary assessment procedure for mathematical or clerical errors, the taxpayer must be given an explanation of the asserted error and a period of 60 days to request that the IRS abate its assessment. The IRS may not proceed to collect the amount of the assessment until the taxpayer has agreed to it or has allowed the 60-day period for objecting to expire. If the taxpayer files a request for abatement of the assessment specified in the notice, the IRS must abate the assessment. Any reassessment of the abated amount is subject to the ordinary deficiency procedures. The request for abatement of the assessment is the only procedure a taxpayer may use prior to paying the assessed amount in order to contest an assessment arising out of a mathematical or clerical error. Once the assessment is satisfied, however, the taxpayer may file a claim for refund if he or she believes the assessment was made in error.

House bill

The **House** bill provides in the application of the mathematical and clerical error procedure that a correct TIN is a TIN that was assigned by the Social Security Administration (or in certain limited cases, the IRS) to the

individual identified on the return. For this purpose, the IRS is authorized to determine that the individual identified on the tax return corresponds in every aspect (including, name, age, date of birth, and SSN) to the individual to whom the TIN is issued. The IRS also is authorized to use the mathematical and clerical error procedure to deny eligibility for the dependent care tax credit, the child tax credit, and the earned income credit even though a correct TIN has been supplied if the IRS determines that the statutory age restrictions for eligibility for any of the respective credits is not satisfied (e.g., the TIN issued for the child claimed as the basis of the child tax credit identifies the child as over the age of 17 at the end of the taxable year).

Effective date.--The provision is effective for taxable years ending after the date of enactment.

Senate amendment

No provision. However, S. 2616 (the Medicare Home Health Fair Payment Act), as introduced by Senators Roth and Moynihan, contains a provision that is the same as the provision contained in the **House** bill.

Conference agreement

The conference agreement follows the **House** bill.

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D. Restrict 10-Year Net Operating Loss Carryback Rules for Specified Liability Losses

(sec. 304 of the **House** bill, sec. 5 of S. 2616, and sec. 172(f) of the Code)

Present law

Under present law, that portion of a net operating loss that qualifies as a ``specified liability loss'' may be carried back 10 years rather than being limited to the general two-year carryback period. A specified liability loss includes amounts allowable as a deduction with respect to product liability, and also certain liabilities that arise under Federal or State law or out of any tort of the taxpayer. In the case of a liability arising out of a Federal

or State law, the act (or failure to act) giving rise to the liability must occur at least 3 years before the beginning of the taxable year. In the case of a liability arising out of a tort, the liability must arise out of a series of actions (or failures to act) over an extended period of time a substantial portion of which occurred at least three years before the beginning of the taxable year. A specified liability loss cannot exceed the amount of the net operating loss, and is only available to taxpayers that used an accrual method of accounting throughout the period that the acts (or failures to act) occurred.

House bill

Under the provision, specified liability losses are limited to product liability losses and amounts allowable as a deduction (other than a deduction under sec. 468(a)(1) or sec. 468A(a)) that are in satisfaction of a liability under a Federal or State law requiring the reclamation of land, decommissioning of a nuclear power plant (or any unit thereof), dismantlement of a drilling platform, remediation of environmental contamination, or a payment under any workers compensation act (within the meaning of sec. 461(h)(2)(C)(i)), if the act (or failure to act) giving rise to such liability occurs at least 3 years before the beginning of the taxable year. As under present law, the specified liability loss (as redefined) cannot exceed the amount of the net operating loss and is only available to taxpayers that used an accrual method of accounting throughout the period that the act (or failure to act) giving rise to the liability occurred. No inference regarding the interpretation of the specified liability loss carryback rules under present law is intended.

Effective date.--The provision is effective for net operating losses arising in taxable years ending after the date of enactment.

Senate amendment

No provision. However, S. 2616 (the Medicare Home Health Fair Payment Act), as introduced by Senators Roth and Moynihan, contains a provision that is the same as the provision contained in the **House** bill.

Conference agreement

The conference agreement follows the **House** bill.

TITLE IV. TECHNICAL CORRECTIONS PROVISIONS

House bill

The **House** bill contains technical, clerical, and conforming amendments to the Internal Revenue Service Restructuring and Reform Act of 1998, the Taxpayer Relief Act of 1997, and other tax legislation.

Senate amendment

No provision. However, S. 2622, as introduced by Senators Roth and Moynihan, contains the same provisions as the **House** bill. In addition, S. 2622 also includes a perfecting amendment related to voluntary income tax withholding from Social Security benefits.

Conference agreement

The conference agreement generally follows the **House** bill and S. 2622. The conference agreement includes the provision related to voluntary income tax withholding from Social Security benefits included in S. 2622.

Subtitle VI--Medicare-Related Provisions

Subtitle A--Home Health

Sec. 6101.--Increase in per beneficiary limits and per visit limits for payment for home health services

Present law

Section 4602 of the Balanced Budget Act established interim payments for Medicare home health care agencies until the implementation of a new prospective payment system on October 1, 1999. Also scheduled to go into effect on October 1, 1999, is an across-the-board reduction in payments to home health agencies. Under the interim payment system (IPS), agencies are currently paid the lesser of either their actual costs, a per visit limit, or an annual per beneficiary limit. The first limit--the per visit limit--is based on the mix of visits an agency provided to Medicare patients during the year. The per visit limits are based on 105 percent of the wage adjusted median cost for each of the six categories of

service. The second limit--the per beneficiary limit--is based 75 percent on an agency's historical cost per beneficiary and 25 percent on the average per beneficiary historical costs for the region in which the agency is located (minus 2 percent), and is adjusted by the home health market basket. Agencies whose first full year cost report began after October 1, 1993 receive the national median of the per beneficiary limits.

House bill

H.R. 4567, the ``Medicare Home Health Care and Veterans Health Care Improvement Act,'' as passed by the **House** of Representatives on October 12, 1998, makes changes to the payment system for Medicare's home health care benefit as defined in the Balanced Budget Act of 1997 (P.L. 105-33). Under the bill, the per beneficiary limit is increased for older agencies below the national median. In addition, the bill increases payments to new agencies and establishes payments for agencies that would receive Medicare payments until implementation of the new prospective system. The bill excludes these costs from the calculation of the beneficiary monthly premium. The bill requires the Secretary of Health and Human Services to report back to Congress with alternatives to the 15 percent across-the-board reduction in payments that is scheduled for October 1, 1999. In addition, several reports on the prospective payment system summarizing research conducted by the Secretary of Health and Human Services are to be submitted to the Congress so that implementation of the new payment system is not further delayed. The policies contained in the bill were carefully designed to meet administrative restrictions relating to the Year 2000.

Effective date.--The provision is effective upon enactment.
Senate amendment

S. 2616, the ``Medicare Home Health Fair Payment Act of 1998,'' as introduced in the Senate, makes changes to the payment system for Medicare's home health care benefit as defined in the Balanced Budget Act of 1997 (P.L. 105-33). Under the bill, the transition period for payment changes to the prospective payment system (PPS) is lengthened by providing all agencies a longer transition period in which to adjust to changed payment limits. Both the 15 percent across-

the-board reduction and the PPS are delayed for 12 months. A budget-neutral blend establishes greater equity among agencies by increasing the per beneficiary limits for low cost agencies and reducing the high cost per beneficiary limits. In the legislation, greater fairness is achieved by eliminating the 2% discount applicable to new agencies, and raising the per visit limits for all agencies from 105% to 110% of the national median. No distinction in payment limit is made for ``brand new'' agencies.

In order to offset the cost of the payment changes, the home health care annual market basket (MB) is reduced in the following manner: for fiscal year 2000 it is MB minus 0.5 percentage point; for FY 2001 it is MB minus 0.5 percentage point; for FY 2002 and FY 2003 it is full MB; and in FY 2004 it is MB plus 1.0 percentage point.

Effective date.--The provision is effective upon enactment.
Division J

Division J includes a provision that makes changes to the payment system for Medicare's home health care benefit as defined in the Balanced Budget Act of 1997 (P.L. 105-33). The provision delays the implementation of the prospective payment system until October 1, 2000 and delays an across-the-board 15 percent reduction in payments to home health agencies until that date. The provision would also allow for periodic interim payments until implementation of the prospective payment system. The provision is expected to provide equity to those agencies which have low-cost, low-utilization practices relative to other agencies, by increasing the per beneficiary limits. Those agencies below the national median per beneficiary limit will have their limit increased by 1/3 of the difference between their limit and the national median. In addition, the provision increases payments to ``new'' agencies whose first full year cost report began after October 1, 1993 by two percent, and establishes that agencies opening after October 1, 1998 will have per beneficiary limits equal to 75 percent of the wage adjusted national median (calculated with a two percent reduction).

The provision also reduces the home health market basket update for fiscal years 2000, 2001, 2002, and 2003, by 1.1 percentage points. Despite the increase in Medicare part B

expenditures, the provision excludes these costs from the calculation of the beneficiary monthly premium until the prospective payment system is implemented. Finally, the provision requires several reports on the prospective payment system summarizing research conducted by the Secretary of Health and Human Services to be submitted to the Congress so that implementation of the new payment system is not further delayed. The policies contained in the bill were carefully designed to meet administrative restrictions relating to the Year 2000.

Effective date.--The provision is effective upon enactment.

Subtitle B--Other Medicare-Related Provisions

Sec. 6201.--Authorization of Additional Exceptions to Imposition of Penalties For Providing Inducements to Beneficiaries

Present law

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) had the effect of prohibiting medical facilities from offering patient financial assistance programs. HIPAA contained a number of provisions designed to toughen fraud and abuse enforcement. One provision--Section 231(h)(1)(C)(5) of HIPAA--prohibited medical facilities from offering patients any kind of inducement to receive services from any particular medical provider. This provision was designed to prevent kickbacks which the Inspector General

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reported was occurring in some circumstances.

Prior to the enactment of HIPAA, specialized medical facilities, such as dialysis centers, operated programs to help their patients afford medical treatment. Examples of these programs included paying patients' Medicare Part B premiums; giving patients free eye-glasses and other services designed to assist patients. The effect of the HIPAA fraud and abuse provision was to discourage medical facilities from offering programs to help patients lest these programs be seen as inducements for patients to receive services from the

particular medical facility.

House bill

H.R. 4567, the ``Medicare Home Health Care and Veterans Health Care Improvement Act,'' as passed by the **House** of Representatives on October 12, 1998, contained provisions which would allow the Inspector General to develop criteria for making limited exceptions to the current fraud and abuse laws.

H.R. 4567's provisions would amend HIPAA in several ways: First, the Inspector General of the Health and Human Services Department could create exceptions--known as ``safe harbors'' to the fraud and abuse rules so as to exclude specific payment practices from the HIPAA provisions. Second, H.R. 3511 would allow medical facilities to obtain advisory opinions from the Inspector General. These opinions would provide legal and regulatory guidance to medical facilities as to whether payment of coinsurance or other premiums violates HIPAA's fraud and abuse provisions. Finally, H.R. 3511 would also give the Secretary of HHS interim final rulemaking authority which would speed up the process whereby these safe harbors and advisory opinions become effective.

Effective date.--The provision is effective upon enactment.
Senate amendment

The Senate bill had no similar provision.

Division J

Division J provides authority for the Inspector General to promulgate a rule authorizing exceptions to the fraud and abuse provisions. The provision places limits on the Inspector General's safe harbor authority relating to providers or health care facilities providing Medicare supplemental coverage to end-stage renal disease beneficiaries. The duration of the safe harbor authority for this particular issue will be limited to a two year period which commences on the date that the rule is promulgated. The provision also stipulates that the Comptroller General shall conduct a study that compares any disproportionate impact on specific issuers of the purchase of Medicare supplemental policies for end stage renal disease patients. The provision also requires the Comptroller General to submit

recommendations on whether the Inspector General's authority to issue such exceptions should be extended.

Sec. 6202.--Expansion of Membership of MedPAC to 17

Present law

The Balanced Budget Act of 1997, Public Law 105-33, established the Medicare Payment Advisory Commission (MedPAC) as a result of merging two commissions, the Prospective Payment Advisory Commission and the Physician Payment Review Commission. MedPAC, like its predecessors, is a nonpartisan commission which advises Congress and makes recommendations regarding Medicare payment policies. MedPAC commissioners are appointed by the Comptroller General and serve terms of three years. The Balanced Budget Act authorizes the Commission to have fifteen commissioners.

Section 4022 of the Balanced Budget Act detailed the criteria for membership on the Commission: The membership of the Commission shall include individuals with national recognition for their expertise in health finance and economics, actuarial science, health facility management, health plans and integrated delivery systems, reimbursement of health facilities, allopathic and osteopathic medicine, and other related fields of health care delivery and services, who provide a mix of different professionals, broad and geographic representation, and a balance between urban and rural representatives.

House bill

H.R. 4567, the ``Medicare Home Health Care and Veterans Health Care Improvement Act,'' as passed by the **House** of Representatives on October 12, 1998, contained provisions which would increase the number of commissioners appointed to MedPAC to seventeen. The addition of two commissioners would enable the commission to reflect more fully the diversity of backgrounds and interests in the health policy community.

Effective date.--The provision is effective on May 1, 1999.

Senate amendment

The Senate bill had no similar provision.

Division J contains provisions which would increase the number of commissioners appointed to MedPAC to seventeen. The addition of two members would enable the Commission to reflect more fully the diversity of backgrounds and interests in the health policy community.

Effective date.--The provision is effective on May 1, 1999.

Revenue Offsets for Medicare Home Health Provisions

tax treatment of prizes and awards

Present law

A taxpayer generally is required to include an item in income no later than the time of its actual or constructive receipt, unless the item properly is accounted for in a different period under the taxpayer's method of accounting. If a taxpayer has an unrestricted right to demand the payment of an amount, the taxpayer is in constructive receipt of that amount whether or not the taxpayer makes the demand and actually receives the payment. Under the principle of constructive receipt, the winner of a contest who is given the option of receiving either a lump-sum distribution or an annuity is required to include the value of the award in gross income, even if the annuity option is exercised.

House bill

No provision.

Senate amendment

No provision.

Division J

The existence of a ``qualified prize option'' is disregarded in determining the taxable year for which any portion of a qualified prize is to be included in income. A qualified prize option is an option that entitles a person to receive a single cash payment in lieu of a qualified prize (or portion thereof), provided such option is exercisable not later than 60 days after the prize winner becomes entitled to the prize. Thus, a qualified prize winner who is provided the

option to choose either cash or an annuity not later than 60 days after becoming entitled to the prize is not required to include amounts in gross income immediately if the annuity option is exercised merely by reason of having the option. This provision applies with respect to any qualified prize to which a person first becomes entitled after the date of enactment.

In addition, the provision also applies to any qualified prize to which a person became entitled on or before the date of enactment if the person has an option to receive a lump-sum cash payment only during some portion of the 18-month period beginning on July 1, 1999. This is intended to give previous prize winners a one-time option to alter previous payment arrangements.

Qualified prizes are prizes or awards from contests, lotteries, jackpots, games or similar arrangements that provide a series of payments over a period of at least 10 years, provided that the prize or award does not relate to any past services performed by the recipient and does not require the recipient to perform any substantial \1\ future service. The provision applies to individuals on the cash receipts and disbursements method of accounting. Income and deductions resulting from this provision retain their character as ordinary, not capital. In addition, the Secretary is to provide for the application of this provision in the case of a partnership or other pass-through entity consisting entirely of individuals on the cash receipts and disbursements method of accounting.

\1\ Appearing in advertising relating to the prize or award is not (in and of itself) substantial.

Any offer of a qualified prize option must include disclosure of the methodology used to compute the single cash payment, including the discount rate that makes equivalent the present values of the prize to which the prize winner is entitled (or relevant portion thereof) and the single cash payment offered. Any offer of a qualified prize option must also clearly indicate that the prize winner is under no obligation to accept any offer of a single cash payment and may continue to receive the payments to which he or she is

entitled under the terms of the qualified prize.

Effective date.--The provision applies with respect to any qualified prize to which a person first becomes entitled after the date of enactment. In addition, the provision also applies to any qualified prize to which a person became entitled on or before the date of enactment if the person has an option to receive a lump-sum payment only during some portion of the 18-month period beginning on July 1, 1999.

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[GRAPHIC] [TIFF OMITTED] TH19OC98.076

[[Page H11544]]

[GRAPHIC] [TIFF OMITTED] TH19OC98.077

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Omnibus Consolidated and Emergency Supplemental Appropriations Act,
1999

(discretionary budget authority, in billions of dollars)

Division A--**Omnibus** Appropriations:

Agriculture.....	13.7
Agriculture emergency funding.....	5.9
Commerce, Justice, State.....	33.1
District of Columbia.....	0.5
Foreign Operations \1\.....	31.2
Interior.....	13.9
Labor, HHS, Education.....	83.2
Transportation.....	13.1
Treasury, Postal Service.....	13.4
Miscellaneous appropriations.....	0.8
Offsets.....	-2.8

Subtotal, Division A.....206.1
=====

Division B--Emergency Supplemental Appropriations:

Military readiness and overseas contingency operations.....6.8
Antiterrorism.....2.4
Year 2000 conversion.....3.4
Other emergencies.....1.5
Counter-drug activities and interdiction.....0.7

Subtotal, Division B.....14.9
=====

Recap:

Total, regular appropriations.....203.0
Total, emergency agriculture and supplemental appropriations...20.8
Total, offsets.....-2.8

Total, funding.....221.0
=====

Appropriations subject to allocation \2\.....219.9
Remaining allocation \3\.....220.1
Appropriations vs. allocation.....-0.2

\1\ Includes \$17.9 billion for the International Monetary Fund.

\2\ Excludes \$1.1 billion in transportation budget authority for transit programs, which is scored as obligation limitations for Congressional Budget Act purposes.

\3\ Allocation available after scoring of all other bills. Includes all adjustments to allocations permitted by the Congressional Budget Act.

Tom DeLay,
Ralph Regula,
Harold Rogers,
Ron Packard,
S. Callahan,
Todd Tiahrt,

Robert Aderholt,
Bob Livingston,
Martin Olav Sabo,
Esteban E. Torres,
John W. Olver,
Ed Pastor,
Bud Cramer,
Dave Obey,

Managers on the Part of the **House**.

Richard Shelby,
Pete V. Domenici,
Robert F. Bennett,
Ted Stevens,
Frank R. Lautenberg,
Robert C. Byrd

(with the exception of certain leadership legislative
riders),

Harry Reid,
Patty Murray,
Daniel K. Inouye,
Managers on the Part of the Senate.
